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Nation's Business



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Declining U.S. oil production is one of many factors in the growing debate over how the nation can assure it has ample supplies of all types of energy to maintain economic health beyond the 1990s. *Cover Story, Page 20.*

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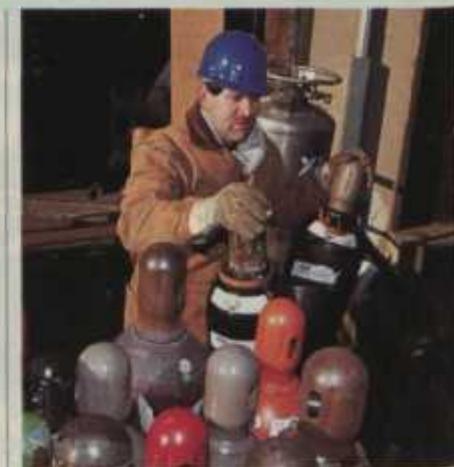


PHOTO: TOM SOBOUR—BLACK STAR

Guaranteed service—such as on-time gas deliveries by JWS Technologies—can improve your productivity. *Page 62.*

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Many firms discover the rewards of offering unconditional service guarantees.



PHOTO: ©KEN TUCHTON

Toys from Francis Goldwyn's firm are "classics" that speak to both adults and children. *Making It*, Page 15.

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Editor's Note

No Vacation From This Assignment

After Don Bacon turned in the cover story on the uncertainties of the energy outlook, he went to Florida for a year-end vacation that actually proved to be a continuation of his assignment.

In researching the article, he reports, he heard over and over again about the possibility of tight supplies of electricity. That concern turned into reality when he sought south Florida's sun and warmth. Don reports: "My encounter with electricity shortages happened at a time and place I least expected them—Christmas morning in Fort Lauderdale. My wife and I awoke to unaccustomed silence. The fan in our heating and cooling system had stopped. Also lifeless were our electric clock, radio, Christmas lights, kitchen appliances, the water heater, and even the elevator to our 26th-floor apartment.

"What we didn't know was that during the night the temperature had dropped precipitously in Florida, as it had throughout much of the nation. It was 28 degrees outside, and neither most Floridians nor their utilities were prepared for this record cold.

"Residents did what they had always done when temperatures fell—they turned on electric heaters, the sole source of heat in many Florida homes. But this time they were dealing with record-breaking, sub-freezing temperatures across the entire state. Utility officials concluded that unchecked demand would exceed the system's total generating capacity. The result was rolling blackouts in which different areas take turns in going without power."

The crisis passed with the unusual cold wave, but not before our writer had gained a much greater appreciation of his subject. We hope that you will, too, as you read his article on this critical issue.

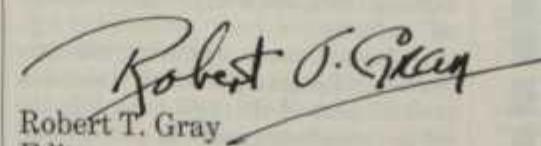

Robert T. Gray
Editor



PHOTO: ©BOB SELF—STOCK SOURCE

Florida's cold wave: fun for children but worrisome for utilities, which cut power for periods to prevent systemwide collapse.

Letters

Europe's Farm Psychology

The December article "GATT's Influence For Free Trade" was informative in every area except agriculture. The article implied that both U.S. and European agricultural groups have a common interest in prolonging subsidies indefinitely. This is not true. The Reagan and Bush administrations have repeatedly suggested a common goal of reducing subsidies to a zero level by 2000. The Europeans are simply unwilling to accept this, and thus GATT agricultural talks have produced little.

The problem in Europe is one of numbers and of history. Roughly 20 percent of Europe's population still lives off the land; hence agricultural interests exercise enormous political clout. The food shortages and famines following both World Wars are part of the national consciousness; thus food self-sufficiency remains an overwhelming priority, almost an article of faith. Finally, and perhaps most important, the smaller European farms combined with generally shorter growing seasons simply

are no match in efficiency for U.S. farms.

Put all these together, and Europe will hold on to subsidies tenaciously, until its own consumers, its beleaguered exchequers, and pressure from the U.S. ultimately force reductions. A time frame of 10 to 15 years here is probably realistic.

*Richard G. Wharton
Moline, Ill.*

America's Farm Policy

In your December Congressional Alert section, you take the position that commodity price supports are bad for tax-

the expense of value.

Farm policy must seek not only abundant production but must provide the incentive and protection that will enable producers to sustain productive capacity over the long term.

*Burton Thompson
Assistant to the President
Oklahoma Farmers Union
Oklahoma City*

Treatment Of Exempt Employees

Your Small-Business Update article on white-collar exemptions ("Take Care With White-Collar Exemption," December) brings up a subtle situation in wage-and-hour laws.

It should be noted, though, that once an employer treats a salaried employee like an hourly employee (by docking his wages), the employer may be forced to continue to treat him as nonexempt by paying time and one-half for any overtime the employee is required to perform.

This can usually be avoided by allowing an exempt employee to "borrow" sick days or personal days if that employee has already exceeded the limit for the year.

*Edward R. Gladys
Personnel Director
H.F. Lenz Co.
Johnstown, Pa.*

Not Just Part Of The Family

As a son-in-law in a family business for 17 years, I have a few observations about "Straight Talk From Key Employees" [Family Business; November].

A son-in-law may be viewed as both family and nonfamily at the same time. Your status depends upon whom you talk to at the business. If you come from another successful career, as I did, most employees credit you for your past abilities rather than simply your family relationship. Being one step removed from a blood relationship allows most employees to be cautiously honest about their feelings about family members with you.

This relationship is only half of the confusing equation. How do you as a relative talk to your boss, e.g., your father-in-law, about your own personal relationship? If that doesn't provide enough anxiety, how do you discuss a business relationship about his daughter, your sister-in-law, who is also in the business?

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payers and business, and that they cause farmers to farm according to government programs rather than the marketplace. You state that the 1985 farm bill included many "market-oriented" reforms.

In fact, however, excluding the Conservation Reserve provision, which is a positive part of the 1985 farm bill, the bill is "supply-oriented" in concept and less concerned with fairness and stability of prices and income. As a result, the farm economy has become more unstable and insecure.

We have tried to regain lost export markets at the expense of domestic producers, and we have sought volume at

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ent combinations of people view the business as a business, rather than a personality or ego contest, all will survive. It is important to remember that once ego gets in the way, the ego will flourish while the business declines.

*John L. Kopman
St. Louis*

More Tax Assistance

I was very interested in your November cover story, "Taxes: Don't Pay Too Much." Obviously you feel it is important to provide your readers with tax information and sources of assistance, so you will be glad to know there is a group of professionals specializing in tax assistance: enrolled agents.

"Enrolled" means we are licensed by the federal government. "Agent" means we are authorized to appear in place of the taxpayer at the IRS. Only enrolled agents, certified public accountants, and attorneys may do so.

Unlike attorneys and CPAs, enrolled agents specialize in taxes. The requirements for tax experience, tax examinations, and continuing tax education to become and remain an enrolled agent are by far the most stringent of any tax professional. You would be doing your readers a service to include enrolled agents in any mention of professional tax assistance available to consumers.

*Frank J. Ruedel
Enrolled Agent
San Gabriel, Calif.*

Why Destroy Health Insurance?

In regard to "Looking Beyond Section 89" [December], I am pleased that Rep. Dan Rostenkowski, D-Ill., lost his bid for this insane law. Our company was ready to drop all employees' insurance on the day that Section 89 was going to take effect.

I question why Rostenkowski wants to destroy health insurance and/or its benefits. If Rostenkowski and some members of Congress don't want certain employees to have coverage, why don't they set limits—preventing anyone making \$40,000 a year or more, for example, from having health insurance?

That would make more sense than Section 89.

*Bert Trocinski
President
Trocinski Trucking
Galesville, Wis.*

The article strongly implies that Congress will get its revenge over the overwhelming rejection by the business community of so-called nondiscriminatory legislation hidden somewhere deep within the maze of Section 89. The idea

of taxing benefits is referred to by Henry Saveth, of A. Foster Higgins & Co., as "a bad idea whose time has come."

Imagining a Congress filled with antipathy and vengeance toward the electorate is even more frightening than trying to administer Section 89.

Discrimination is not the issue here. Poor legislation is. If Rostenkowski and his colleagues want to tax "excess" benefits, maybe a rebate to taxpayers for "excess" legislation can be tacked onto the proposal.

*N. Angus Bowen
Executive Director
Montrose Chamber of Commerce
Montrose, Colo.*

A Columbus Dollar?

Concerning your December item "New Campaign For Issuance of \$1 Coin," please know that the Farmers' Almanac for 1990, in addition to getting rid of the penny as a useless coin, also backs wholeheartedly the bill of Rep. Jim Kolbe, R-Ariz., which calls for the minting and circulating of a new \$1 coin to be known as the Columbus dollar. Kolbe's bill also calls for ceasing production of the \$1 bill within 18 months after the dollar coin is placed in circulation.

There is no question that establishing a coin that costs 3.5 cents to produce and lasts 20 years—compared with a \$1 bill, which costs 2.6 cents and has a life span of 18 months—is certainly cost-effective.

The Susan B. Anthony coin failed because it allowed for an alternate dollar piece and too closely resembled the quarter.

*Ray Geiger
Editor
Farmers' Almanac
Lewiston, Maine*

Getting The Telemessage

The January issue contained, as usual, a lot of useful information to point out to others here at the Association of Telemessaging Services International and to pass on to our members. However, I am not quite sure what I said [to the writer of Direct Line] that led you to believe that more answering services are home-based than ever before. My standard answer to starting a service in a home is that such a thing is not easy in today's competitive market. Many answering services that have been around a long time were started in a home, but it is almost impossible to do so now.

*Pamela St. Clair
Association of Telemessaging
Services International Inc.
Alexandria, Va.*

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A Creative Achievement

By Sol Stein



Just two and a half years ago, I reluctantly bought my first computer and, for the first time, touched a computer keyboard. Within months, I saw a new way to use computers to teach creative writing, and I ended up founding a computer-software company.

Before I started my new career, however, I struggled to hold onto work habits I had acquired throughout my years as a writer, editor, publisher, and teacher.

As recently as 1985, I was still writing novels on a typewriter and laboriously editing them with pen, scissors, and paste. That August, my wife and I were visited by an old friend, a best-selling author who had become a computer evangelist. He was intent on converting all authors still wed to typewriters, and he brought along two complete computer systems. He had learned the new language of computerese, and neither my wife nor I understood what he was talking about. I kept on writing with my typewriter.

In early 1987, I had another brush with computers. For a dozen years, I had been playing tennis with a group consisting largely of men who worked for IBM and other computer companies. One of them, Harrison Kinney, forced a desktop computer into my study at home. It didn't work. Exasperated, he took the computer to his house, and it worked there perfectly. I was spared.

In late June, my daughter Elizabeth, then 20 and a whiz at word processing and at editing her father's manuscripts, and her friend Ed, a computer engineer who had become a lawyer, told me it was about time my generation stopped resisting the inevitable. They took me to a place in New Jersey that sold computers at steep discounts.

They insisted I buy one. And so, on the July 4th weekend of 1987, I had at my fingertips a computer that worked. I kept my typewriter within reach, just in case.

As I experimented with my new computer, I found how easily one could make changes, rearrange paragraphs, try things out. Then a light bulb popped: The computer could be used to teach creative writing. With the right computer program, the student could be given a brief assignment and could get a progress report within five minutes of starting to write. He could see his first draft and latest draft on one screen; he could work at his own pace.

Prize-winning playwright and novelist Sol Stein, author of The Magician, was president of Stein and Day Publishers for 27 years. He now heads WritePro Corp. in Scarborough, N.Y. His latest book, A Feast for Lawyers, Inside Chapter 11, was published in December.

Readers are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20006.

I had lectured on creative writing at universities such as Columbia, Iowa, and UCLA. This led to over 25 years of editing the work of novelists, one at a time, in private tutorials—an expensive yet efficient way to teach. Certainly, I was gratified by the success of authors I had helped. Academy Award-winner Elia Kazan published the biggest-selling hardcover novel of the 1960s—*The Arrangement*—under my tutelage, and Jack Higgins earned nearly \$2 million apiece from seven books I edited. Yet I had concluded that teaching authors one at a time is as productive as making one-of-a-kind automobiles. It isn't much use to the 3 million or more men and women out there who want to be writers of fiction. With a computer, however, a teacher could reach far more students.

Much of what I taught my best-selling authors consisted of the techniques of writing. With a computer, a student could learn those techniques by working with them and could learn to become his own best editor. The computer could give students specific, proven guidelines that they could master in hours.

Teaching authors one at a time is as productive as making one-of-a-kind automobiles. It isn't much use to the 3 million or more men and women out there who want to be writers of fiction. With a computer, however, a teacher could reach far more students.

My excitement about using a computer to teach writing was tangible. The only obstacle to putting my idea into concrete form was the fact that I was not a computer programmer. So it was back to the tennis court. I partnered in doubles frequently with a computer programmer named Gordon Detlor, a man younger than five of my six sons. I told him about my idea. He saw its possibilities and began to work on the programming in his spare time.

While WritePro—the name chosen for the program—was still just an idea, a venture capitalist offered \$200,000 for half the company that would evolve from it. We decided to bootstrap it instead. On March 14, 1989, we launched the WritePro Corp. to publish the first computer software program to teach creative writing. We offered two lessons per disk at \$39.95, a modest price for software.

There were a lot of firsts in the months to come. WritePro was the first software selected by the Literary Guild and the first picked for the Barnes & Noble catalog. WritePro received more than 100 favorable reviews nationwide. *The New York Times* was first. It said, "These are valuable lessons for the would-be novelist." The *Times* article described WritePro as "making it seem as if a patient teacher were looking over your shoulder."

Our order line began to ring off the hook with calls from all over the U.S. as well as from Europe, Asia, and Australia. We quickly learned how varied are the lives and careers of closet creative writers. They include doctors, lawyers, journalists, teachers, advertising people, two judges, the head of a labor union.

We have heard from thousands of WritePro users, many of them urging us to keep the lessons coming. ■



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ADVOCACY

Small-Business Committees Set Agenda Priorities

A decision on President Bush's nomination of Kyo R. Jhin as chief counsel for advocacy in the Small Business Administration will be a top priority for the



PHOTO: C. DENNIS REACK—BLACK STAR

Educator Kyo R. Jhin was nominated to be SBA's chief counsel for advocacy.

Senate Small Business Committee in the 1990 session of Congress.

A native of Korea, Jhin came to this country after service with the U.S. Army during the Korean War. He holds a doctor's degree in mathematics education from Auburn University and is currently assistant superintendent for educational technology in the District

of Columbia school system. In addition, Jhin and his wife are co-founders of a successful small business, Hyobee's Fur and Women's Apparel Inc., of Bethesda, Md.

As head of the SBA's Office of Advocacy, Jhin would hold the most visible position in the agency after the administrator. The duties of the chief counsel for advocacy include analyzing legislative and regulatory proposals from a small-business perspective and presenting the small-business viewpoint to Congress and at forums throughout the country.

On the other side of the Capitol, the House Small Business Committee is expected to revisit the issue of nondiscrimination in employee-benefit plans. An earlier congressional initiative in this area produced the hotly controversial Section 89, which was eventually repealed as a result of protests from small-business people objecting to the regulatory and cost burdens it would impose.

In other actions in the House panel, Chairman John LaFalce, D-N.Y., will seek support for his plan to establish the Venture Enhancement and Loan Development Administration for Smaller and Undercapitalized Enterprises (Velda Sue). The proposed federally owned corporation would create a new venture-capital pool for small businesses. The House committee is also expected to hold hearings early this year on U.S. small businesses' competitiveness in international markets.

SERVICES

Growing Years For The Service Industry

Still more evidence of the extent of the entrepreneurial boom of the 1980s has been produced by the U.S. Census Bureau.

That agency reports that the services industry, which is dominated by small businesses, had a 76 percent increase in receipts between 1982 and 1987.

The survey covered 1.6 million business establishments subject to taxes and another 176,000, including hospitals, that are tax-exempt but have paid employees.

The service firms had \$752 billion in revenues in 1987, compared with \$427 billion five years earlier. Three states accounted for more than a third of the \$325-billion increase—California, New York, and Florida, with \$58 billion, \$30 billion, and \$21 billion, respectively.

The Census Bureau notes that the service industry was strong compared with other sectors. In addition to the 76 percent increase in revenues, service establishments increased employment by 41 percent. At the same time, manufacturers' shipments were up 26 percent, and manufacturing employment dropped 1 percent.

COMPETITIVENESS

Major Concern Of Small-Business Managers: Productivity

What is the biggest employee concern for owners of small and midsized businesses trying to remain successful in today's more competitive marketplace? Poor productivity, says the accounting firm of BDO Seidman.

The firm recently surveyed 1,873 active owners of companies in manufacturing, wholesale, service, and retail industries whose revenues range from \$2 million to \$100 million. Forty-two percent of the respondents ranked poor productivity at the top of the list; 15 percent named shoddy workmanship as their biggest concern, 7 percent listed substance abuse, and 5 percent said employee theft.

In terms of management responsibilities, 36 percent said that administrative duties, not marketing their products or services, make up the bulk of their activities.

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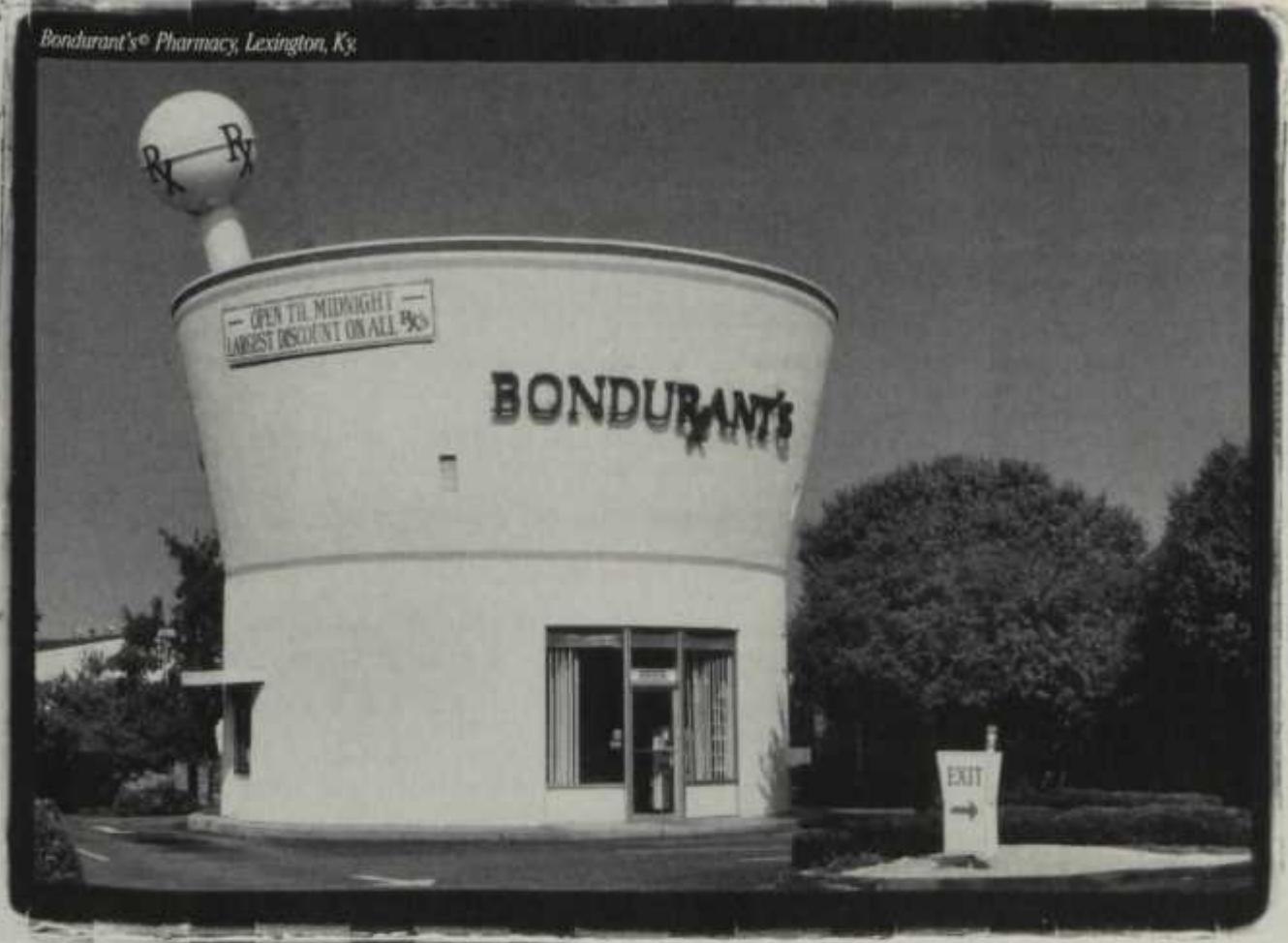
Have I Got A Deal For You!

If small retailers face one temptation that most threatens their businesses, it may be the temptation to base their orders on the "deals" their suppliers offer. Savvy retailers base their orders not on what they have to pay, but on what they think they can sell.

Understanding this, Francis Goldwyn of Manhattan Toy resists offering "deals" that might lead his retailers down the primrose path. He does not offer special terms if retailers buy certain amounts or certain combinations of his toys. "We do not want retailers buying more than they can comfortably sell," Goldwyn explains. "I'd rather a retailer buy \$600 worth of merchandise and sell it at the full margin than that retailer buy \$6,000 and not be able to sell it at the full margin. . . . Our small retailers have got to make their full margin to keep their doors open."

He is simply taking the long view. Goldwyn says: "If I do something that helps me but hurts my retailer, in the long run I've hurt me." (For a closer look at Goldwyn's company, see the "Making It" article on Page 18.)

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PAPERWORK**Paperwork Reduction Act Up For Renewal**

The House Committee on Government Operations plans early attention to legislation that would reauthorize the Paperwork Reduction Act, which expired Sept. 30.

The act, passed in 1980, is designed to minimize federal paperwork burdens on small businesses, individuals, and state and local governments. It is generally considered one of the most important regulatory reforms of recent decades because of the close connection between the federal government's regulations and paperwork demands.

The U.S. Chamber of Commerce estimates that federal paperwork requirements cost the nation \$100 billion a year and that many of them are duplicative and unnecessary.

The Paperwork Reduction Act created the Office of Information and Regu-



Feel buried by federal forms? A renewed Paperwork Reduction Act would help.

latory Affairs (OIRA) within the Office of Management and Budget, and OIRA has become the focal point of regulatory reform efforts.

Strengthening the office's authority is a key issue in congressional consideration of renewing the Paperwork Reduction Act.

MINING**Opposition Voiced To Proposed Fee Plan**

Small exploration companies could be put out of business by the \$5-per-acre rental fee that the Bush administration is proposing for unpatented mining claims, the American Mining Congress says. The fee plan was included in the draft version of the Interior Department's budget for the fiscal year beginning Oct. 1.

The AMC told Interior Secretary Manuel Lujan and budget director Richard Darman that imposition of the fee would "stifle the incentive for individual exploration ventures."

The AMC points out that 80 percent of all mining sites considered for development by large companies in the industry are found by small exploration companies or individual entrepreneurs.

The current Mining Law gives individuals the right to explore for minerals on unappropriated federal lands. They can stake out claims of up to 20 acres and obtain patents giving them fee simple title if they can demonstrate to federal mining officials that the sites have potential for returning a profit. The proposed rental fee would apply to claims that have been staked out but have not yet qualified for patents.

The American Mining Congress also expressed its view that opening the Mining Law to an amendment on the rental plan would invite proposals for more far-reaching changes.

The AMC is particularly concerned about the desire of some members of Congress to change the present exploration/ownership arrangement to a leasing plan.

BENEFITS**Help For Employees On Family Matters**

Need help accommodating employees with families? Call CHOICES: The Clearinghouse on Implementation of Child Care and Eldercare Services, a new toll-free service number set up by the Department of Labor's Women's Bureau.

CHOICES provides employers with concrete "how-to" information on setting up family-related employee programs. Its database contains information on types of dependent-care services, fitting family needs into the overall benefits scheme, flexible-policy options, and successful public-private partnerships that assist working families.

THIS MONTH'S NB TIPS**Traffic Safety**

✓ The Network of Employers For Traffic Safety has been established to encourage businesses to start or expand vehicular-safety programs within companies and in their local communities. NETS says that goals include a reduction of deaths and injuries from traffic accidents because "traffic crashes are the No. 1 killer of employees" and each fatality "costs employers an estimated \$110,500 in workers' compensation and a like amount for uninsured costs. Injuries cost thousands more in health care and lost productivity."

For more information, write NETS, Executive Secretary, 1140 Connecticut Ave., N.W., Washington, D.C. 20036, or call (202) 452-0130.

Announcing the new toll-free service, Secretary of Labor Elizabeth Dole said, "It is my hope that employers will use this service to better understand the range of family needs emerging in the workplace, as well as the numerous options a company has to answer these needs."

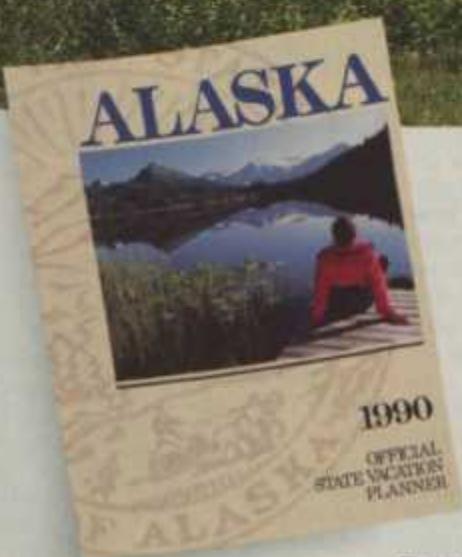
Approximately 55 "program profiles" offered by CHOICES describe existing employer-related dependent-care programs. Twenty-six "how-to" guides cover areas such as legal and liability issues, on-site and off-site care centers, family day care, and maternity leave. A "Work and Family Resource Kit" also is available.

To reach CHOICES, call 1-800-877-9002 from 11 a.m. to 4 p.m. Eastern time.

Retirement Benefits

✓ *Social Security For Business Owners: How to Get Your Retirement Benefits* is a new publication designed to help business people apply for and receive Social Security benefits. Individuals who own or control a business are subject to Social Security rules that are different from the rules for people who receive wages. The booklet explains how to apply for benefits, when to apply, what documents will be necessary to support a claim, and what an applicant need not reveal to the Social Security Administration. To order, write White Plume Press, P.O. Box 23552, Santa Barbara, Calif. 93121. The price is \$9.95 plus \$2 for postage and handling. ■

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A L A S K A

Dateline: Washington

What's happening in the corridors of power that will affect your business.

HIGHWAYS

Federation Urges Use Of Trust Funds

The federal government should use highway-construction money already available and not turn to new taxes for that purpose, according to the Highway Users Federation.

The view on road-construction financing was expressed by Lester P. Lamm, president of the federation, which is a coalition of businesses, industries, and associations in the highway field.

In a statement, Lamm noted various proposals made in Congress to impose additional taxes to rebuild highways, bridges, and other elements of the transportation infrastructure.

"The current balance in the Highway Trust Fund of nearly \$17 billion is expected to grow to \$21 billion by 1991, yet the 1990 federal highway budget is only about \$11.7 billion," Lamm said.

He said that taxes already levied on



PHOTO: CAMERON DAVIDSON - POLAROID INC.

Road-building costs could be supported by drawing on the federal Highway Trust Fund rather than raising taxes.

gasoline and tires as well as revenues from other vehicle-related sources should be used to support the \$18 billion to \$20 billion that the federal government spends annually on highways.

In addition to drawing down on the trust fund, Lamm said, Congress should phase out the arrangement under which the tax on gasohol is only 3 cents a gallon, compared with the 9 cents a gallon on gasoline. The federation official said an assessment that would match projected highway needs against revenues will not be needed until 1995.

LEGISLATION

Advocates Of Product-Liability Reform See Cause For Optimism

Veterans of the long fight to reform product-liability laws are encouraged about prospects for success this year. One reason for their optimism is the Bush administration's plan for a major initiative to win approval of reform legislation, which would include national standards.

The plan was announced by Vice President Quayle as head of the administration's Council on Competitiveness.

Advocates of reform argue that heavy costs imposed by the present liability system undermine the ability of U.S. businesses to compete effectively in the growing global marketplace.

Sen. Robert W. Kasten Jr., R-Wis., who has been leading the battle for

product-liability reform for nearly a decade, commented regarding the Quayle announcement: "This is the first time that any administration has taken such a strong, solid leadership position on this issue. By elevating product-liability reform to the very top of the agenda, we significantly increase its odds of passing this year."

The administration supports the basic provisions of a bill that Kasten and others have introduced.

In addition to adoption of uniform standards, that measure would limit grounds for punitive-damages awards, restrict the application of joint and several liability, bar damage awards to persons whose use of drugs or alcohol was a primary cause of injury, and give plaintiffs two years to file suits after discovery of harm and its cause.

WORKPLACE

Law For The Disabled May Soon Be Enacted

The Americans with Disabilities Act probably will be passed by Congress and ready for President Bush's signature by early March, says Nancy R. Fulco, human-resources attorney for the U.S. Chamber of Commerce. The legislation would require business owners to make "reasonable accommodation" for employing disabled workers, as long as the employer would not face "undue hardship." It would require business owners to make "readily achievable" accommodations for disabled customers. Both the House and the Senate bills ultimately would exempt businesses with 15 or fewer employees.

Small business supports the goals of increased accessibility but has told Congress that the requirements of the specific legislation are vague and excessively punitive.

DEFENSE

Defense Strategy Vs. "Pork" Strategy

"If you don't have a defense strategy, you end up with a 'pork' strategy," a key figure on U.S. military planning said in a recent speech. Rep. Les Aspin, D-Wis., chairman of the House Armed Services Committee, explained that military spending will flow to pork-barrel projects if the administration lacks a clear-cut military strategy that can command congressional support.

Addressing the National Security Industrial Association, Aspin said Defense Secretary Richard Cheney's recent inability to terminate 10 weapons systems validates the argument. Aspin, who supported Cheney's initiatives, said: "There was no policy framework holding together the proposed terminations—no policy to hold together a coalition of congressmen."

Noting the recently raised expectations of substantial defense savings from the winding down of the Cold War, Aspin said: "We are clearly seeing numbers now, and we have not yet seen a strategy. The thinkers in the Pentagon should come through the door before the accountants." ■

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Rolling In Dough

Many successful entrepreneurs start businesses as sidelines. Ted and Joyce Rice were no different. He was a news cameraman for a Kansas City, Mo., television station and she was a fifth-grade teacher when, in 1982, they launched a part-time enterprise.

So far, so familiar. But the Rices' story departs from the pattern in a number of ways. For one thing, their part-time business has grown into 230 "gourmet bakeries" with total sales last year of \$56 million. Ted, 57, and Joyce, 44, are the founders of the T.J. Cinnamons chain, which takes its name from their initials and its highly addictive, softball-size cinnamon rolls.

Those rolls originated in Joyce Rice's kitchen, but here again, the story diverges from what you might expect. As Ted Rice says, "This was not a situation where Joyce made the world's best cin-

namon rolls and somebody said, 'Why don't you sell these commercially?'" The Rices came up with the idea for their cinnamon-roll company without having a cinnamon-roll recipe.

They were comfortable and successful in their careers before they broke free of what Ted Rice calls "the golden claws" of job security. If any one event triggered their break, it was, Ted says, the July 18, 1981, disaster in which two aerial walkways collapsed in a Kansas City hotel, killing 111 people. Ted covered that disaster and was strongly affected by it: "At that point, I felt I didn't want to see any more death."

The next summer, he took a sabbatical in addition to his five weeks of vacation, and he and Joyce spent four months sailing on Lake Superior. When they started, Ted says, "I had no intention of changing my job." But he had

Ted and Joyce Rice opened their first T.J. Cinnamons bakery only five years ago, here in the Ward Parkway Mall in Kansas City, Mo.; now their chain embraces 230 bakeries.

been primed by his reaction to the hotel disaster, and "one really nice day, we wondered, if we had so much fun out here that we didn't want to go back to work, how would we make a living?"

They weighed a number of possibilities—carpentry, a delicatessen, charter sailing—and, Ted says, "finally decided, why not go into cinnamon rolls?" They could make a go of the rolls, they thought, "if we could add showmanship, letting our customers see the people who are handling their food, and the equipment it's being made in."

Joyce experimented at home until she came up with a recipe that satisfied them both. At first, the Rices didn't think about a bakery at a fixed location. The idea instead, Ted says, "was to do something that we could leave quickly and get back into quickly. The real intent was to supplement our income, to support our habit of sailing." They were thinking less about a new career than about early retirement.

The Rices spent \$50,000 on a custom-made, 20-foot trailer fitted as a mobile bakery, and by the summer of 1983 they were selling their rolls at cattle

PHOTO: GENE KRETSE--BLACK STAR



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MAKING IT

shows and state fairs. By that fall, the mobile bakery had become so successful that Joyce left her teaching job to drive it around the Midwest full time.

Everywhere they went, Ted recalls, "we had a lot of people asking us, 'Where's your permanent bakery?'" In January 1985, the Rices opened one, in a shopping mall in western Kansas City—between two escalators, so, Ted says, they could catch shoppers' eyes "coming and going." They put a glass roof on the bakery, too, so that shoppers could see the rolls being made. In March, Ted quit his job to join Joyce full time at the bakery.

So successful was T.J. Cinnamons that the Rices were soon besieged by would-be franchisees. "Ted and I had a file drawer full of requests from people who wanted information on franchising immediately," Joyce says. "It was at that point that we went to our lawyers and said, 'We think we have something that's a little more than a one-bakery operation.'"

The bakery was being observed by "a lot of people with yellow pads and stopwatches," Ted recalls, so the Rices knew their idea would be copied if they did not move quickly. With two Kansas City businessmen, Kenneth D. Hill and Roger Cohen, they formed a new company, Signature Foods; Hill and Cohen contributed expertise in franchising, finance, real estate, and restaurant management, and the Rices contributed T.J. Cinnamons. The first franchised bakery opened in late 1985.

The Rices and their co-owners now face one of the trickiest parts of any franchise operation: to keep the sales curve moving up for individual stores after the "new" has worn off. Cinnamon rolls, however popular, could not carry the whole load of drawing customers back, and so the number of approved items for bakery menus has risen to 50.

Food franchises of all kinds have been expanding their menus, but in T.J. Cinnamons' case, especially, an expanded menu entails the risk of fuzzing what has so far been an exceptionally clear and appealing concept. Ted Rice describes their predicament this way:

"Do you maintain an image of a gourmet bakery with one product, and lose sales, or do you go along with the blending [of menus] that's going on these days, and wind up not knowing who you are?"

The Rices have the advantage of knowing very well which product brought them this far, and it seems a safe bet that in T.J. Cinnamons' universe, the other menu items will continue to revolve around that half-pound, icing-covered star.

—Michael Barrier

Transported By Water

Chester McKee likens his work to taking the earth's pulse. His company, In Situ Inc., in Laramie, Wyo., does hydrologic consulting—it examines the movement of water on and beneath the surface of the planet. (*In situ* is Latin for "in position.") In-Situ's instruments probe the



Chester McKee's Wyoming firm uses devices like these probes to measure the movement of water far beneath the earth's surface.

earth, recording water pressure down deep, taking the water's temperature, testing its acidity, and following its migration among gigantic underground waterways, or aquifers.

In Situ's 55-person staff measures the impact that planned development will have far beneath the earth's surface. One example: Because water binds methane gas to coal seams, In Situ studies water pressure around prospective coal mines as a first step toward ridding the mines of the gas, which can cause underground explosions.

In Situ pioneered computer software for mapping aquifers; its computer-simulated model of ground-water movement helps find the safest way to clean up hazardous wastes in the ground, so

that chemical residues do not percolate into a nearby water supply. In Situ also has developed monitors that detect leaks in double-walled underground storage tanks, thus forestalling a frequent cause of ground-water pollution.

McKee has proved that rural Wyoming is as hospitable to international business as any place in the country. "People tend to think that because you're landlocked in Wyoming, you have no hope of being successful in the international arena," he says, "but to survive the ups and downs of the domestic economy, we've started a reach-out program." In Situ has found markets for its products and services in Australia, Saudi Arabia, Pakistan, and Switzerland.

McKee opened his business in 1976, after persuading his wife, Carol, to put the \$10,000 profit from the sale of their home into a new company. In Situ spent its formative years in the late 1970s doing mostly in-situ mining. This type of mining involves pumping liquid mixtures underground to dissolve mineral ores, which then are pumped back to the surface in solution. Uranium, for example, can be dissolved and retrieved with a mixture of water and baking soda.

In Situ suffered when high interest rates in the early '80s ravaged the minerals market. Luckily, In Situ's hydrologic services soon were in greater demand than its mining services were, thanks largely to the Superfund program, set up through the Environmental Protection Agency to clean up hazardous-waste sites. "A lot of our work comes through either Superfund or the pressure of EPA on public and private corporations to clean up their waste sites," McKee says. In Situ had fully recovered from the recession by 1986.

In Situ's sales totaled about \$5 million in 1988, and the company is growing 35 percent a year. McKee attributes In Situ's endurance to the strength of its intellectual capital. In addition to its own staff, In Situ relies on the University of Wyoming for professional support. Wyoming is a mecca for earth scientists, and the University of Wyoming in Laramie attracts renowned authorities in such fields as geochemistry and mathematical computer modeling.

"At Stanford or the Massachusetts Institute of Technology, there's a significant demand on the professors," McKee says. "They get assigned to the most lucrative contracts, and a small, growing company has little opportunity" to work with experts. But in Laramie, McKee says, "the university is right at our doorstep. We have good access to people with really outstanding credentials."

—Bradford A. McKee (no kin)

MAKING IT

Solid Goldwyn

Many business people reap great satisfaction out of seeing their products used and enjoyed. Francis Goldwyn is no different. With obvious pleasure, he recalls the day he shared an elevator in New York with a man whose small daughter was carrying a stuffed toy dinosaur, made of bright yellow fabric.

"I said, 'Hey, that's some dinosaur. What kind of dinosaur is that?' She said, 'That's a triceratops.' I said, 'You like that, huh?' Her father said, 'It's her favorite toy. She won't let it go.' I said, 'That's really neat to hear. I make those.'"

Goldwyn, 36, is the founder and president of Manhattan Toy Co., which designs and manufactures dinosaurs and other kinds of stuffed animals. His small firm has established an ever-firmer foothold in the market for high-quality—and relatively expensive—stuffed toys.

Manhattan Toy competes in a market served by companies whose toys are usually sold not in mass-market stores, but in gift shops and specialty toy stores. Its animals sell at retail for prices ranging up to \$40.

Goldwyn started the company in 1982. The first few years were shaky, but since then sales have risen rapidly, from less than \$200,000 in 1985 to around \$5 million last year. Goldwyn thinks his lines will have the staying power that means lasting success for a toymaker. All his toys are "classics," he says, "not in the sense of being antique-looking," but in the way they speak not just to children but to the adults who buy toys for them.

His "Looney Bird" hand puppets fit both adult and child hands, so, he says, "an adult can play with a child." The thumb goes in the bottom of the bird's beak, the rest of the hand in the top, which means, he continues, "you're using gross motor coordination, not fine motor coordination"—so even a very



The movie business didn't satisfy him, so Francis Goldwyn moved East and started making stuffed dinosaurs and other animals.

small child can manipulate the puppet.

Similarly, Goldwyn says, Manhattan Toy's floppy animals have "just enough stuffing in them to hold their shape, but not so much that they're firm and stiff." The animals dangle; they can be pulled around easily by a toddler. Manhattan Toy's dinosaurs have turned out to be no fad: Sales of the brightly colored monsters fell a little from 1987 to 1988 but have held steady since then.

Despite his success, Goldwyn seems out of place not just in the toy business,

but also in New York. He grew up in Los Angeles, as the grandson of Samuel Goldwyn, the famed movie producer, and he spent Friday evenings watching new films at his grandfather's house. He tried working in the movie business for a few years, but then, in a career move that could never be depicted on the screen—what audience would believe it?—became an accountant instead, and moved to New York.

"I like to say I was run out of California because I wasn't mellow enough," Goldwyn says. "I was always raised with the attitude that you're a Goldwyn, you've got to do better. I said, as I looked around the country, where is the competition toughest? It was New York. It's very kind of in-your-face competitive here, and I like that."

He spent several years with Coopers & Lybrand, preparing himself for an entrepreneurial career. Despite that apprenticeship, he says, "I made every mistake there is to make, and I'm still making them. This whole experience has been a major lesson in humility."

What would Sam Goldwyn think of Manhattan Toy? Fran Goldwyn has no doubts: "If my grandfather was alive today and I wasn't in the movie business, he'd basically have my head."

Even so, Sam Goldwyn, a poor Polish immigrant who became one of Hollywood's greatest moguls, would probably recognize himself in his grandson. When Fran's first line of stuffed toys—very odd-looking things called "Oids"—flopped spectacularly, he never considered quitting. "I had no choice," he says. "I was simply not going to fail." In

1986, just before the dinosaurs took off, "I reached a point where I either got outside financing or I had to close the business." He took a New York investor into the company; at no time, he says, did he consider turning to his family for the money he needed. "That's not how the game is played," he says emphatically.

Sam Goldwyn might not understand the toys, but he would certainly understand those sentiments.

—Michael Barrier

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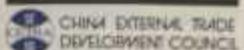
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COVER STORY

A New Energy Crisis?

By Donald C. Bacon

A North Carolina gas company appealed to customers to reduce their thermostat settings to 64 degrees when a record-breaking cold wave spread deep into the South this winter.

As the subfreezing temperatures moved into Florida, electricity demand rose so high that utilities had to implement rolling blackouts—in which regions were blacked out in turn for up to

Oil imports are close to 50 percent of domestic use and could be 60 percent by the end of the 1990s.

two and a half hours at a time—to keep the entire system from crashing. Other conservation steps included appeals to forgo Christmas lights.

At one point, the Tampa Electric Co. faced de-

mands of 3,230 megawatts on a system with a top capacity of 2,800 megawatts.

In the summer of 1988, parts of New England had brownouts when heat waves drove up electricity consumption to levels the suppliers could not meet. Industrial and residential customers who had agreed to service interruptions during peak demand in return for reduced rates were told to shut down factory machines, cooling systems, and other power-hungry equipment.

While the energy problems encountered during the southern cold waves and northern heat waves were unusual events, they were sufficiently dramatic to remind millions of consumers of the potential consequences of energy demands that run ahead of supplies.

James Easton, U.S. assistant secretary of energy for international affairs and energy emergencies, says that what happened regarding electricity

Donald C. Bacon is the Washington-based editor and project director of The Encyclopedia of the United States Congress.

Nation's Business intern John Groulx contributed to this report.

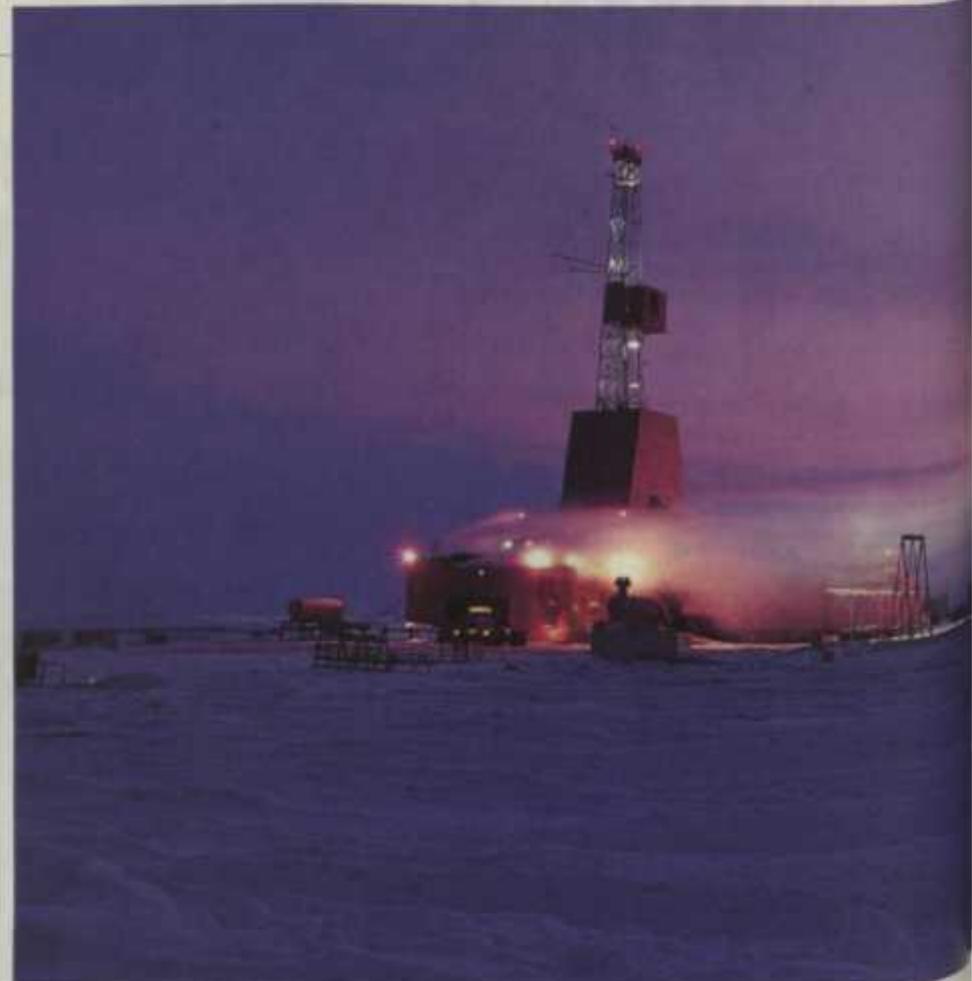


PHOTO: STEVE OGDEN—TOM STACK & ASSOCIATES

Oil production in the U.S. has declined because of dwindling domestic reserves, a flood of

supply during the freeze "may be a barometer for some parts of the country. We have been seeing for some time that there are some areas of the country—Florida being one of them, and the Northeast in particular another—where we feel the reserve margins are not adequate for the 1990s. We think we will see more of this type of situation happening, or at least the potential.... Reserve margins are very tight in certain regions, and that's a problem that concerns us."

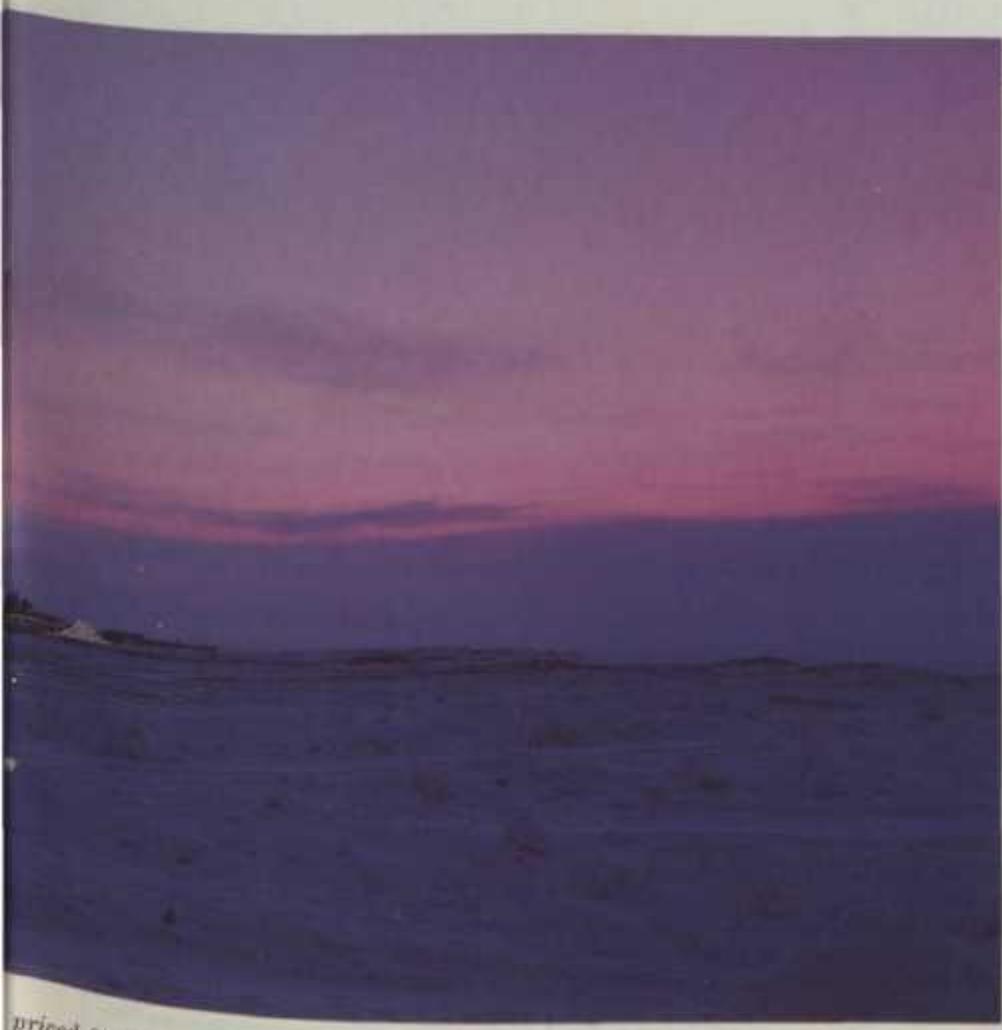
In addition to producing such official reaction, the severe, if temporary, ener-

gy curtailments in some areas at the end of 1989 also helped to put into perspective the economic and social importance of the emerging debate over the nation's energy policy for the 1990s and beyond.

The stakes are high. The U.S. Chamber of Commerce sums up the issue: "The social and economic well-being of this nation is dependent on the availability of energy."

The emerging discussion on formulating public policies that will ensure that availability involves new perspectives on the sources and uses of energy.

The key issue in the broadening national debate on energy policy is how to strike a balance between energy needs and environmental concerns.



priced foreign crude, and government policies that discourage exploration.

Whatever the specific proposals that emerge, they will be grounded in the view that future energy crises can be avoided if the American public is willing to accept the realities of the energy situation and to recognize that formulating solutions will require achieving a balance between energy requirements and environmental considerations.

Many current attitudes are grounded in the notion of the "energy glut" that developed in the mid-1980s as a result of sharp economic decline and conservation efforts. Conservation was part of a commitment to national energy self-re-

liance in the wake of the 1970s energy crises triggered by political events in the Middle East.

The political arena resounded at that time with calls for policies that would forever free the U.S. from dependence on foreign sources for energy supplies. But what has happened since the shortages of the 1970s and their symbol—long lines of cars at gasoline stations?

- Oil imports are close to 50 percent of domestic use and could be 60 percent by the end of the 1990s.

- No new U.S. nuclear-power plants have been ordered and put into con-

struction since 1973. Indeed, utilities have canceled plans for some 65 plants since the 1979 incident at Three Mile Island. Some operational and nearly operational plants have been abandoned, with investors and utility customers absorbing losses in the billions of dollars.

- The nation's electricity-generating industry warns that existing barriers to construction of sufficient capacity must fall if there is to be enough electricity to support economic growth over the next decade.

- While coal is the nation's most abundant fuel, producers and consumers are warning that pending legislation could curtail its use and sharply increase its costs.

- The hydropower industry says that its efforts simply to maintain—much less expand—its role as a major energy supplier are being hampered by unreasonable government actions.

At the root of these problems is the issue that has come to dominate the national debate over energy policy: the extent to which environmental considerations should affect energy development.

Charles J. DiBona, president of the American Petroleum Institute, says that the U.S. Environmental Protection Agency has become "a major actor on energy policy—probably the major actor." EPA, he says, affects "every element of our business, from the well-head to the pump."

In announcing hearings to be held in connection with his department's plans to develop a national energy strategy, Energy Secretary James D. Watkins said the goal is to "forge consensus to bring our shared energy and national-security needs into balance with our shared concerns about the environment, safety, and health."

Whether that consensus can be



The EPA has become "a major actor on energy policy, probably the major actor."

CHARLES J. DiBONA
API PRESIDENT

COVER STORY

Saudi Arabian oil exploration proceeds, below, while New Hampshire's Seabrook nuclear plant, right, stands idled by controversy.



PHOTO: © ANTHONY HOWARTH—WOODFIN CAMP

achieved is uncertain. A recent major attempt in that direction was not encouraging. A group of energy-industry executives, government officials, environmentalists, and energy experts met last fall in Sundance, Utah, to seek an understanding on how to provide reliable energy supplies for an expanding economy while protecting the environment. Their inability to find common ground underscored the magnitude of the problem.

Coal is the most abundant U.S. fuel, but pending legislation could cut its use and raise its cost.

Environmentalists remained convinced that global warming, acid rain, and other concerns require immediate sharp reductions in burning fuels. They rejected business's appeal for less drastic methods of reducing pollution, including the option of increased use of nuclear power.

"We found ourselves in one of those beautifully polarized discussions," recalls participant John E. Gray, chairman of ERC Environmental and Energy Services Co., a technical-services firm based in Washington, D.C. "The issue boils down to the need for more energy supplies—whether you can obtain them just by being very wise, efficient, and frugal in the use of energy and thus preclude the need to expand supplies. Boy, there's a big chasm between the two sides on that one."

The Sundance conference, sponsored by film star Robert Redford, one of the nation's most recognizable environmentalists, was merely a preview of the broader national debate that ultimately could determine U.S. economic health as well as the course of its energy and environmental policies.

The business community, which is becoming increasingly worried that the

achievements of the Sundance conference were not encouraging, has been pushing for legislation that would encourage continued use of coal and other fossil fuels. The House of Representatives has passed such a bill, but the Senate has not yet taken action.



PHOTO: © PETER BLAKELEY—WOODFIN CAMP

energy supplies upon which it depends may be in jeopardy, will be in the thick of that debate.

Even now, powerful forces are lining up for a high-stakes confrontation later this year over energy-strategy proposals that the Department of Energy (DOE) was assigned to draft by December 1990 by President Bush. The plan is to contain specific short-term, mid-range, and long-term recommendations on how the U.S. can best balance energy, economic, and environmental requirements. DOE is scheduled to report its preliminary findings to Congress this spring. The report will be open for public comment through the summer, and then the department will draft its final recommendations for the president.

What is unclear is whether the president, Congress, and the public will buy those recommendations. Much depends on whether a host of powerful players with significant interests in energy policy—including energy producers, business and individual consumers of energy, and environmental activists—can be brought together.

Finding a consensus on one of the most complex and divisive issues of the time will be a daunting task. But most experts believe it can be done. Susan C. Moya, manager of energy and natural-

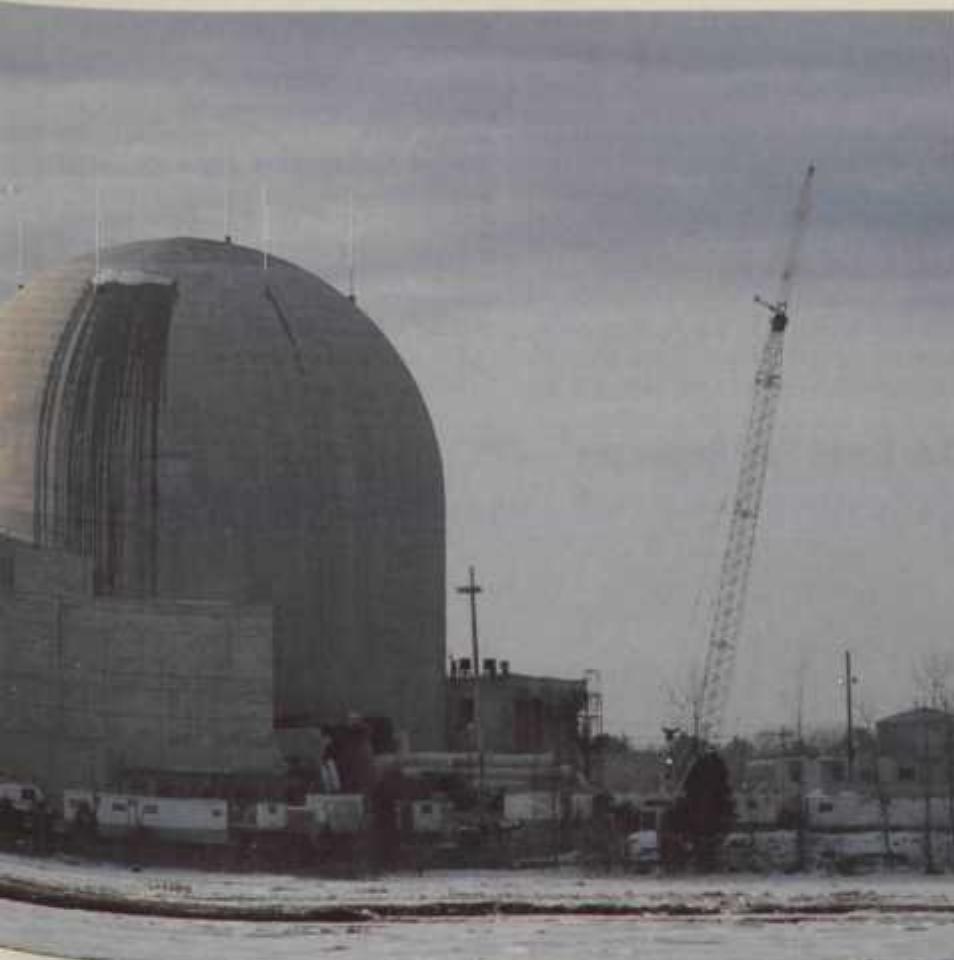
resources policy at the U.S. Chamber of Commerce, says: "The nation faces some tough choices. But they are not mutually exclusive. It needn't be an either-or situation."

Here is what the architects of energy policy face as they grapple with a problem that seems to be worsening on several fronts:

Oil, Gas, And Coal: Unlocking Ample Supplies

Ironically, the growing debate over energy policy comes at a time when oil, gas, and coal are plentiful. In contrast to the 1970s, when consumers were constantly warned that global resources of liquid hydrocarbons would soon be depleted, supplies today are ample, and key fuel products such as gasoline are selling at 1965 prices, after accounting for inflation. The third major energy source—coal—remains abundantly available in the U.S., although proposed environmental restrictions threaten its use.

"In terms of the next few decades, there does not appear to be a shortage of energy supplies in useful forms at acceptable prices on a worldwide basis," concluded a recent study, *Energy Imperatives for the 1990's*. The study was prepared by the Energy Working Group of the Atlantic Council of the



There's plenty of coal, but various environmental restrictions under consideration threaten its use.



PHOTO: © STEWART D. HALPERIN

United States, a nonpartisan advisory organization of senior professionals in various fields. The council's energy group is headed by C.J. Silas, chairman and chief executive officer of Phillips Petroleum Co., and chairman of the Energy and Natural Resources Committee of the board of directors of the U.S. Chamber of Commerce.

With enough proven reserves to last for at least 50 years, and with vastly more uncharted reserves that can be produced at higher prices, clearly the world is not running out of oil.

So why worry?

The problems are in the barriers that exist to development and use of the existing resources. As U.S. production of oil declines, for example, the nation becomes more dependent on supplies from countries with long histories of political instability.

Some 75 percent of the oil that can be produced at today's prices is found in countries, mostly around the Persian Gulf, belonging to the Organization of Petroleum Exporting Countries. It is the same OPEC that mounted a successful oil boycott in 1973, traumatizing America and sending its economy spiraling into recession.

That boycott worked, even though the U.S. at that time produced most of its oil domestically, importing a bare 6

percent of its needs from OPEC countries.

The U.S. oil-producing industry now is in the fifth year of a downturn, the result of dwindling domestic reserves, high production costs, and a flood of cheaply priced foreign crude. Also contributing to the decline, many experts say, are government policies that discourage exploration and drilling.

To fuel its expanding economy over the past five years, the U.S. has turned increasingly to foreign energy sources.

U.S. oil production last year fell to its lowest level in 25 years. Estimated oil and gas drilling completions, as reported by the API, were down 16 percent in the first nine months of 1989, compared with the like period of 1988.

In its most recent report of U.S. proven reserves, the Energy Department's Energy Information Administration said total crude-oil discoveries in 1988 dipped to 553 million barrels, down 20 percent from 1987 and the second-lowest level ever reported. Proven reserves of crude oil fell in 1988 at a rate about equal to the average 2-percent annual decline noted during the past 12 years. Given current policies, analysts see no end to the decline.

Industry representatives say they could slow the domestic oil decline significantly if they could explore and de-

velop the current most-promising untapped oil and gas areas: a limited portion of public lands in Alaska, known as the Arctic National Wildlife Refuge, and specific areas off both coasts of the continental U.S. But those areas, like a majority of federally managed lands, have restrictive designations barring resource development. The petroleum industry, supported by the business community, including the U.S. Chamber, so far has failed to win Congress' approval for environmentally sound exploration and development of the specific Alaskan and offshore tracts.

Members of the United States Energy Association (USEA)—comprising public and private energy-related organizations, corporations, government agencies, and individuals—are "quite troubled by the U.S. oil-import situation," particularly with U.S. dependence on Middle Eastern crude continuing to grow, says the organization's executive director, Barry K. Worthington. "There doesn't seem to be any ready way out," he adds, noting that the country "is positioned for the same kind of disruptions" to supplies that occurred in the 1970s.

Also worrisome is the damage to the economy that results from the massive outflow of U.S. dollars to pay for imported oil. Petroleum imports represent more than 40 percent of the total U.S. trade deficit.

Although the U.S. currently has substantial supplies of natural gas—imports account for less than 8 percent of total consumption—many experts say demand for the fuel could skyrocket. Proven and potential domestic gas re-

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serves, which total as much as 980 trillion cubic feet, could dwindle, and prices could rise through sharply increased use of the clean-burning fuel to achieve a cleaner atmosphere.

But delivering gas to some users, especially in the Northeast, could remain a problem, particularly if planned construction of new pipelines runs into legal and other setbacks.

Among the various energy industries, natural gas appears to have the most optimistic outlook. The American Gas Association says that, "with few exceptions, all of the fundamental supply barometers are positive." The reasons for the association's view include the expectation that clean-air legislation pending in Congress will result in increased demand for gas over coal.

While the American coal industry expects to reach a milestone this year with the production and consumption of 1 billion tons domestically, it has major concerns about some provisions of that same clean-air legislation. The National Coal Association (NCA) says that proposed actions to reduce acid rain "would severely limit coal's contribution to meeting energy demand in the 1990s and beyond."

Citing domestic reserves of 300 billion to 400 billion tons and extensive progress on technology for the clean burning of coal, the NCA says the industry faces opportunities as well as difficult and complex challenges as it enters the 1990s.

Says the NCA: "The message the industry will need to convey is that placing additional, needless constraints on the use of coal—America's major source of electric power—is not in the nation's best interests."

Brace For Brownouts

Meeting the growing need for electric power will require additional power plants beyond those on the drawing boards, says Thomas Kuhn, executive director of the Edison Electric Institute, a Washington-based association of investor-owned utilities. Present plans, he says, "are not sufficient to meet our needs over the next decade."

The critical need, he adds, is for a state and federal regulatory climate that will stimulate additional capacity by assuring utilities that they will be able to recover their investments.

An organization of companies that are among the nation's largest consumers of electricity insists, however, that

there is no immediate threat of an energy crisis and that no new generating capacity will be needed before 1998 at the earliest.

John Anderson, executive director of the Electricity Consumers Resource Council, says there is a good balance now between supply and demand, and addition of generating capacity would cause needless utility cost increases, which would have to be passed on to consumers. He says projections showing a need for much additional generating capacity have been based on unreal-

utilities to oversee electricity-reliability matters for the industry.

The underlying problem is that utilities for the past decade have been reluctant to invest in new power facilities. Several factors have influenced their reluctance, including soaring costs, uncertain demand growth, local opposition, burdensome regulations, fear of liability for some as-yet-unspecified environmental damage, and doubts about getting a fair return on investment.

The Energy Department's Energy Information Administration forecasts that the nation will need 110 gigawatts of new capacity by the year 2000. A gigawatt is 1 billion watts—roughly enough power to serve a large city. Yet only 37 gigawatts of new capacity are under construction or planned by utilities. Half of that is accounted for by nuclear plants, which face some of the severest environmental and safety challenges confronting the energy industry.

The Seabrook nuclear plant in New Hampshire, for example, is still awaiting a full-power operating license 17 years after the decision to build it was announced and three years after construction was completed at a cost of \$6.7 billion. Operation has been blocked by a dispute over adequacy of plans to evacuate communities near the plant if that became necessary.

While that dispute continues, New England remains one of the areas most vulnerable to power shortages. In the cutbacks required during the hottest days of 1988, utilities in several areas were forced to implement emergency procedures to conserve power. In New England, where power shortages are the most critical, there were 10 such emergency days last summer.

In some instances, power delivered to customers was cut by 5 percent or more, causing lights to dim, motors to slow, air conditioners to lose efficiency, and computers and other electronic equipment to go haywire.

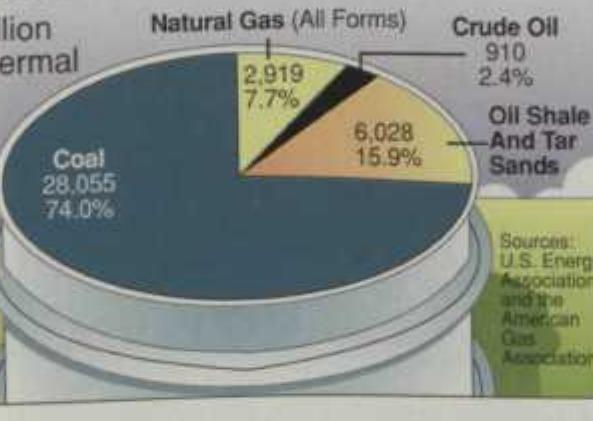
Power cutbacks, often merely an inconvenience for residential users, can be devastating for business. The electric motors upon which industry depends for myriad uses, for instance, are designed to run most efficiently within a narrow range of power, often 225 to 250 volts. When voltage dips too low, motors tend to run slower, overheat, and wear out quicker. Electronics gear, such as the sophisticated computer-control equipment used in modern fac-

Estimated U.S. Fossil-Fuel Resources

In Quadrillion
British Thermal
Units*

* Proved and unproved reserves as of Jan. 1, 1989. A quadrillion Btu equals about 1 trillion cubic feet of natural gas or 172 million barrels of oil.

CHART: ROB LITTLE



Sources:
U.S. Energy
Association
and the
American
Gas
Association

istic expectations of economic growth and that utility companies' current forecasts of needed capacity actually show that there will be "a tremendous amount of excess capacity."

Anderson's organization consists of 20 companies that consume 4 percent of the electric power generated in this country. He rejects as "an oversimplification" the argument of utilities that steps to increase capacity must begin promptly because of the long lead time between a decision to build and putting a new plant into operation. Anderson says that any construction project requiring more than five years for completion would be uneconomical because of the increase beyond that point in the cost of carrying loans. Building generating plants, he notes, "is one of the most capital-intensive" undertakings throughout industry.

On the other hand, the Atlantic Council warns: "There are clear indications that the demand is likely to exceed the generating capacity needed for reliable service during the coming five to eight years in many areas of the U.S., and the needed new capacity is not under design or construction."

Indeed, some parts of the country, notably New England, the Middle Atlantic states, and the Pacific Northwest, could begin seeing power shortages as soon as 1993, according to the Princeton, N.J.-based North American Electric Reliability Council, formed by

tories, is particularly sensitive to voltage variations.

Armstrong World Industries Inc. lost an estimated \$25,000 to \$30,000 in 1988 when voltage reductions at its rubber-insulation plant in Braintree, Mass., caused unsteady temperatures in a manufacturing process. A batch of insulation collapsed, "the way a souffle collapses when the oven door is opened too early," company officials told reporters.

In Massachusetts alone, according to an estimate by the Boston Chamber of Commerce, power brownouts in 1988 cost businesses \$87 million in lost productivity.

A bigger problem from an economic perspective can be the losses to an area when concern over adequate power influences businesses to move elsewhere or choose not to locate there initially.

The Endangered Nuclear Option

Since 1988, seven nuclear-power plants have been completed and put into operation in the U.S. Thirteen more are due to become operational over the next several years. When that happens, an era in peacetime nuclear development will have ended. No more nuclear facilities are planned in the U.S., and if someone tomorrow undertook to build such a plant, it could not be ready before early in the next century.

Runaway construction costs, complex licensing procedures, overbuilding in the 1970s, and public concerns about safety all have driven utilities away from the nuclear option in recent years. "Without something that's more acceptable to both the owners and the public, we're going to have a hard time getting any investor or any chief executive officer to make a major commitment to nuclear plants," says Richard E. Balzhiser, president of the industry-financed Electric Power Research Institute, in Palo Alto, Calif.

Currently, the energy community is watching the unfolding dramas surrounding Seabrook and another nuclear plant—the Shoreham facility on New York's Long Island—at the center of an extended impasse over evacuation plans. Both were set to go on stream just in time to alleviate severe power shortages in their areas. But both have become targets of vociferous anti-nuclear groups that believe the plants have been built in areas too congested for adequate evacuation in the event of a nuclear accident.

Indeed, if opponents get their way, both plants eventually will be scrapped. That, despite the assurances of federal regulators and the utility owners that the plants are safe to operate and are economically essential to their areas.

A last-ditch effort is under way in Congress to remove state-imposed barriers to operation of the Shoreham plant, and a final decision could come soon.

Customers of Long Island Lighting Co. would pay a high price to keep the plant dark: years of power shortages as

eliminate much of the red tape now associated with nuclear licensing.

A Key Role For Conservation

Many environmental activists contend that the nation can make do without extensive new exploration and drilling for oil and gas, without all the cars and trucks now in service, without so many new fossil-fuel generating plants, and certainly without more nuclear-power facilities. They argue that the slack can be taken up by conservation and by alternative fuels such as solar and wind. "The potential for energy-efficiency gains is enormous, particularly in the United States, which is only half as energy-efficient as West Germany, Japan, and many other industrial nations," asserts James Gustave Speth, president of the World Resources Institute, a pro-conservation organization.

On the other hand, John Gray, chairman of ERC Environmental and Energy Services, says: "In order to cut down on the use of energy to the extent that would preclude having to increase the supply of energy, you would have to rebuild the entire housing, transportation, and commercial infrastructure of the country. That's a \$2-trillion bill right there. The argument is kind of that silly."

Gray and other industry leaders point out that many advocates of conservation as an energy policy are not aware of the extent to which economy and efficiency in the use of fuels have already made a massive contribution.

Experts say that universal adoption of standard conservation measures, such as insulation, recycling, and other practices, could cut U.S. energy consumption by as much as 20 percent. Even more energy could be saved, they add, through broader application in business and industry of new technologies such as high-efficiency lighting, automatic controls, heat pumps, adjustable-speed drives, and thermal storage.

A major boost for conservation is coming from utilities, which see programs to reduce demand as attractive alternatives to building more plants or buying electricity from independent producers. Financial incentives are available in many areas to business and individual users who agree to install energy-saving equipment or to cut back voluntarily on energy consumption.

Such programs can be good deals for businesses. Many companies find that by installing energy-saving equipment,



the utility built conventional plants—also opposed by some residents—and arranged for imported power to replace the critically needed 809 megawatts that Shoreham would have provided.

Residents and businesses also would have to compensate LILCO for the loss of its \$5.5 billion investment in Shoreham. Under an agreement with state authorities, LILCO would give up its claim to Shoreham for one dollar, and in return, the utility would be allowed a succession of rate increases averaging nearly 5 percent a year for 10 years.

Nevertheless, the nation will not discard nuclear power as an energy source. Nuclear power already supplies a critical 20 percent of U.S. energy needs, and recent public-opinion polls show that most Americans believe that it will continue to play an important role.

Analysts expect nuclear power to gain more public acceptance as new types of reactors are developed and the nuclear industry presses its environmental advantages in the debate over acid rain and global climate changes. Nuclear proponents are counting on the development of smaller, more cost-effective reactors that would be more tolerant of operational error than current models. Importantly, these "inherently safe" reactors would have a standard design that would be approved in advance by government regulators to speed construction, reduce costs, and

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PHOTO: © RICK FREEDMAN—BLACK STAR

they can lower their utility bills and can qualify for rebates and rate discounts that pay back the investments in three years or less. For example:

- In Waltham, Mass., the owners of the Hobbs Creek office park make and store ice on summer nights for use in cooling four office buildings by day. By shifting much of its energy demand to off-peak hours, the complex qualifies for lower electric rates and a subsidy for an annual saving of \$125,000.
- Hechinger Co., an East Coast home-improvement chain, installed automatic fast-fold doors at its warehouses. The huge, \$14,000 doors are expected to pay for themselves within a year by reducing heating and cooling losses when vehicles are driven into and out of the buildings.
- Denny's restaurants recently retrofitted thousands of lighting fixtures in its 900 stores with energy-efficient fluorescent lamps. The chain, based in La Mirada, Calif., expects to recoup its \$3.1-million investment in six months.

The Search For A Magic Solution

The hope that a major new energy source will come along to replace dwindling fuel supplies still burns brightly throughout the land. From wind power to cold fusion, Americans have latched onto new ideas that promise abundant, renewable, clean, cheap energy. So far, most such ideas have faltered on technical and other grounds, including high development costs. There can be no "magic solution" to our energy and environmental problems," the Atlantic Council study concluded. "Such wishful thinking can lead to failures to deal with real-world problems."

Adds Richard Balzhiser of the Electric Power Research Institute: "I don't think in the next decade or two that



PHOTO: © BRENT MCGASTRO—GAMMA LIAISON

Energy-saving techniques that experts say companies and industries could adopt more widely include, from left, thermal storage, solar technology, and high-efficiency lighting.

we'll see renewables making a contribution much larger than they do today."

Solar energy could be an exception. Balzhiser says: "I think solar and particularly photovoltaic technology [in which sunlight is converted to electricity] is one [area] where we'll see continual progress scientifically.... Over the first half of the next century, we can expect solar to begin to play a role worldwide that's comparable to what we now get from hydroelectric power."

For the time being, energy experts say, America will depend primarily on oil, coal, and natural gas, and there will be increased emphasis on restoring public and investor faith sufficiently to expand the use of nuclear power.

The continued assurance of reliable and affordable energy will depend, in part, on government policies that encourage development of new energy sources. Much also rests on the response of the federal and state governments to energy legislation. One question is whether there will be a balance between concerns for a cleaner, safer environment and the practical necessity to provide the energy supplies upon which the U.S. economy runs. Another will be whether energy companies will have incentives to make massive financial investments required to keep energy supplies sufficient to meet demands.

Business people can make a major contribution to energy availability by influencing such policy decisions. Says the Department of Energy's Assistant Secretary Easton: "Too often, businesses don't think much about energy and therefore don't get involved to do much about it. This recent cold snap showed the interdependence of all our energy systems.... Business people should also be active in their trade associations to make voices heard whenever there is legislation or rule making at any level of government that might have an adverse impact on energy. We need to have business owners start getting in-



PHOTO: © JIM MCENERHAN

volved in energy decisions and be a voice of moderation, a voice of reason.

"We also must realize that great gains in conservation, efficiency, and the development of alternate energy sources are going to be made through new technology, and companies will not invest in new technology if the economy is lousy. So if you put the economy in a tailspin through such arbitrary actions as emissions cuts by a certain year when even the scientists haven't agreed whether those actions will work, you are not going to get the research and development that you need to achieve the full impact of technology in developing alternate sources and increasing energy efficiency."

Business people who do get involved in the energy debate will find environmental issues playing an increasingly larger role, and they will want to avoid an either-or confrontation.

Dale Jones, president of Halliburton Co., a diversified petroleum-services company, summed up the business response to the environmental concerns in recent congressional testimony. He urged the lawmakers not to ignore the nation's other needs, especially the need to revitalize domestic energy exploration and development, as it considers "well-founded and carefully placed environmental safeguards."

Jones said: "We do not view those concepts as mutually exclusive. Unless we as a nation can afford continuously increasing and significantly higher import costs, we must find reasonable solutions to the energy-vs.-environmental problems." ■

MANAGING

Learning At Work

By Joan C. Szabo

Kee Vang, a Laotian-born machine operator, gives high marks to the literacy-training class he is taking at United Mailing Inc., a mailing and data-processing firm in Chanhassen, Minn. His company's education program, he says, "is giving me a chance to improve my English skills and is helping me do my job." The literacy class emphasizes the language and communication skills needed to perform his job.

Funded through a U.S. Department of Education grant and administered by a local community college, the program, called Directions, offers employers in the Chanhassen area an experienced instructor for on-site training of workers in reading, language skills, and problem solving.

United Mailing began participating in the workplace literacy program about 18 months ago. Jerome Carlson, co-founder and co-owner of UMI, says the pilot program already is having a positive impact: "We have higher retention and attendance rates, greater productivity, and fewer errors and accidents than some of our competitors as a result of the program."

Vang and 14 other UMI employees are enrolled in the class for those learning English as a second language. In addition, under the Directions program, about 15 of the company's mechanics recently completed 20 hours of training in creative problem-solving techniques.

"Offering literacy training at the plant," Carlson says, "lets the instructor build bridges of trust that can help open up lines of communication and understanding between employees who have a need and the individual who can fulfill that need." He explains that the instructor works on language skills that are needed to perform specific jobs. "This not only helps the employ-

ees with the language, but it also helps the company. Our first objective is to make our employees more skilled so they can be more productive. By making the instruction germane to the job, everyone ends up winning."

Carlson also runs the Instant Web printing company and the Victory Envelope manufacturing firm, employs 1,100 people, and has annual gross sales of \$90 million. Together the three

On-the-job training programs that help workers acquire basic language and workplace skills are producing results.

leading to the year 2000. This development will be especially troublesome for small firms, which hire two-thirds of all entry-level workers. In addition, workers hired by small businesses typically have less formal education than those working for large companies. As a result, small firms are more likely than large companies to hire and have to train functional illiterates, says Jules H. Lichtenstein, chief of the Applied

Policy branch of the U.S. Small Business Administration.

A study commissioned by the Labor Department found that in firms with fewer than 500 employees, almost 4 percent of workers ages 20 to 24 had no more than an eighth-grade education, but in larger firms, employees in that age bracket and with that level of education accounted for under 1 percent of the work force. Finding effective ways to



PHOTO: T. MICHAEL REED

A literacy training class at United Mailing Inc. in Chanhassen, Minn., is producing positive results for both the employees and the company.

firms make up one of the largest single-source suppliers to the direct-mail-marketing industry.

Carlson says he is spending about \$40,000 a year for the workplace literacy program. This sum includes the value of the office space made available to the instructor, as well as the on-the-job time that employees spend in basic skills instruction each week. The grant pays the instructor's salary.

Carlson says he is fairly typical of numerous owners of small and medium-sized businesses who find basic language and workplace skills sorely lacking in many entry-level workers. Moreover, as the expected shortage of such workers increases, the need for companies of all sizes to provide basic-skills training is expected to increase.

The U.S. Labor Department estimates, for example, that the number of new workers ages 16 to 34 will decline by almost 4 million during the decade

train such workers is becoming a matter of business survival, Carlson says.

The employee training provided by small businesses generally is remedial, focusing on skills that should have been acquired during formal schooling, says Lichtenstein. These skills include basic arithmetic and literacy, good work habits such as punctuality, and specific skills for operating machines.

Although there is a growing need for basic-skills training, small firms face bigger obstacles than large firms do when trying to train workers, says Haidée Clark, coordinator of the Governor's Initiative for Workforce Excellence in South Carolina. The initiative was launched by Gov. Carroll A. Campbell Jr. two years ago to help employers provide basic-skills training to their employees. "Small companies generally can't afford to schedule time during the work day for training," Clark says. "They also have trouble finding a place

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at the work site where classes can be held."

In addition, small businesses constantly face recruiting and training difficulties because they regularly lose trained workers to larger firms.

Because of these problems, small companies are advised to evaluate their training needs carefully. "Assess the extent of the skills problem and consider options for mitigating it," says Anthony Carnevale, chief economist and vice president for national affairs of the American Society of Training & Development, in Alexandria, Va. Determine if training is the only way to deal with the problem, he says. Sometimes, the solution lies in modifying written materials or changing equipment. For example, the company might switch to cash registers equipped with symbols instead of words.

Small companies should ask suppliers to provide help with training to assure the effective use of suppliers' equipment, components, and services. "If you are buying software, select the [supplier] that provides the best training for your employees," says Carnevale. If training is necessary, "try to build a training system inside the workplace. Focus the learning on the objec-

tives of the job. If you are going to teach literacy, do it right on the job. That is what works."

Clark agrees that "job-specific or contextual learning" is the most effective approach. "We like to use the words, processes, and procedures that employees use every day on the job as a way to teach reading."

Basic-skills training, however, involves more than just teaching reading, language, and math skills, she adds. "In our approach, we teach employees to think analytically, to solve problems, to draw conclusions, to communicate, and to work in teams because the workplace of the future is going to require that they be adaptable workers. This means that they must think on their own and make decisions on their own."

When selecting instructors for job-related basic workplace training programs, experts say, a company should look for those who are familiar with

adult learning and the psychology of learning. In addition, instructors should have experience in working with adults and in teaching basic workplace skills in a job-related context.

Beyond basic-skills instruction, Carnevale recommends instituting a coaching system in which every employee is responsible for passing on a piece of

knowledge that is helpful to another employee. "If I am a repair person, I might teach the machine operator about troubleshooting," he says. This approach increases the knowledge of the entire group.

Small businesses also should take advantage of subsidized training from federal and state governments. For example, the Job Partnership Training Act (JPTA) targets federal funding to employers who provide job training. The workplace initiative program in South Carolina receives the bulk of its funding through JPTA.

Another way to foster training, Carlson says, is for small firms to come together through business organizations such as state and local chambers of commerce to discuss and coordinate their needs. "Perhaps a number of small firms can find a way to share instructors on an affordable basis."

Although it does require extra effort for small businesses to set up training programs, the positive results are numerous.

"Training lets employees know what is expected of them. It lets them know that they are important enough for an employer to invest time and money. And it boosts morale and increases productivity," says Karen Dunn, CEO of Sterling Consulting Group, in Sausalito, Calif. Sterling specializes in service-improvement training.

Business owner Carlson also says that training offers the payoff of good publicity. "Small firms become known in their communities as employers who not only represent potential employment," he explains, but who also "offer training opportunities. The result is that more employees want to work for you."

Looking ahead, he says, it is critical that more programs similar to Directions receive funding. "These programs will permit many small businesses to address the challenge of workplace literacy when they could not otherwise have done so." ■

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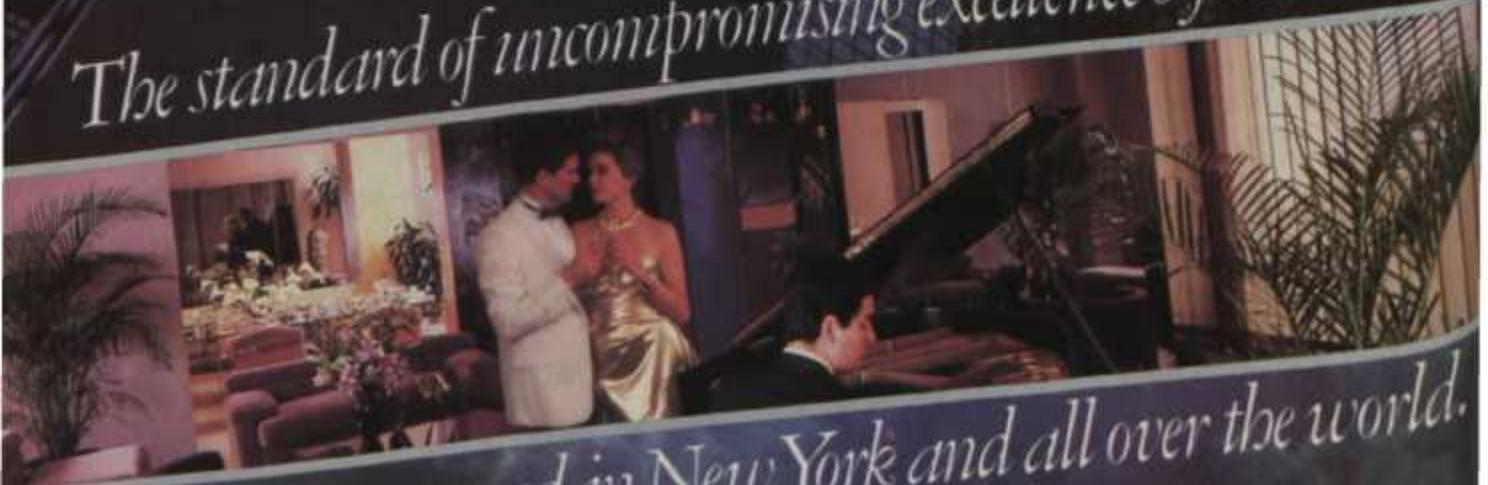
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MANAGING

A Taste Of Old Cape Cod

By Glen Macnow

Over the years, Steve Bernard's business has grown by word of mouth: People put his potato chips in their mouth, then they go out and spread the word.

"We've never done any advertising, any promotion, any marketing studies," says Bernard, the president and founder of the Cape Cod Potato Chip Co. of Hyannis, Mass. "All of our money we've poured back into the quality of the product."

And what a product it is. In a \$3.6-billion-a-year industry dominated by thin, mass-produced chips, Bernard built a fast-growing business by cooking up thick-cut, crunchy chips like people once made in their own kitchens.

The trick? A kettle-cooking method more evocative of the 1890s than of modern manufacturing. While the industry giants' automated commercial cookers each turn out 4,000 pounds of chips an hour, Cape Cod's 18 hand-operated cookers each produce just 120 pounds per hour. "It makes our labor costs astronomical," says Bernard, 40. "But there's a trade-off. We can produce a crispy chip that really tastes like a potato. And these days, there are people willing to pay for that quality."

Indeed, a growing number of quality-minded consumers will pay handsomely for products such as handmade ice cream, bottled water, and gourmet pasta. And now, the Cape Cod chip—more expensive than most other chips but, to many potato-chip devotees, well worth the price. "The people buying us are the same people who buy Ben and Jerry's ice cream, Soho soft drinks, products like that," says Bernard. "But to be honest, we didn't start out with that audience in mind."

To be honest, Bernard and his wife, Lynn, didn't start out with much of a plan at all, beyond getting out of the auto-parts business. In 1980, they read a magazine story about potato chips and began experimenting at their kitchen stove. They spent a week at a small chip plant in Pennsylvania, studying the business. And on July 4, 1980, they opened a storefront potato-chip shop in Hyannis.

"My wife, brother, and I did it all

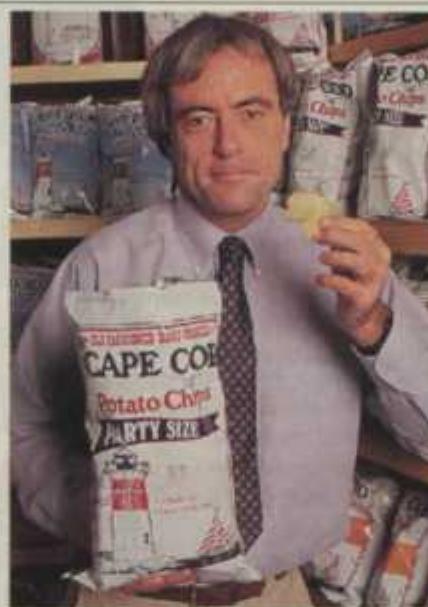


PHOTO: RICK FREIDMAN-BLACK STAR

Steve Bernard tastes one of his Cape Cod Potato Chips, made by stirring the chips in cooking kettles evocative of the 1890s.

back then," recalls Bernard. "I drove the truck to Rhode Island to pick up bags of potatoes, we cooked them ourselves, packaged them by hand, sold them ourselves. We would work 16-hour days."

And customers—including tourists—came to the store. Within a few years, word of the chips had spread around New England and down the East Coast. "I would get calls from grocers talking about clients who had tasted these marvelous chips while on vacation here," says Bernard. "The time came for wider distribution."

By quality alone—no advertising—Steve Bernard's crunchy, home-style potato chips have won fans nationwide.

The company moved twice and is now headquartered in a sprawling factory; its tours are among the Cape's hottest tourist attractions.

Two shifts a day turn out close to 80,000 of the 7-ounce bags of chips in three varieties—regular, no-salt, and dill and sour cream. The chips are priced at \$1.49 a bag.

In 1985, Bernard was approached by Eagle Snacks, a division of Anheuser-Busch. Although reluctant to sell his company, Bernard agreed to a takeover after gaining assurances that he would maintain control over day-to-day operations and product quality.

"Eagle helps us in distribution and marketing," Bernard says. "They've added three new plants [in California, North Carolina, and Tennessee], but they let us run things like we always have. The biggest difference to me is that I no longer have to work 100-hour weeks."

Today, Cape Cod Potato Chips has 200 employees. Its sales may be just a blip in the national market, but its growth has been phenomenal. The product can now be bought in 80 percent of the U.S. And it has spawned imitators.

Jane Wuerthner, spokeswoman for the Potato Chip Association, in Alexandria, Va., says that kettle-variety chips accounted for almost 7 percent of all the potato chips sold in the U.S. last year. While sales for the entire industry rose 5 percent, sales of the kettle chips rose 18 percent.

"Cape Cod chips are responsible for much of that trend," says Wuerthner. "I think people like that homemade, old-fashioned taste. They equate it with being less processed."

While he is proud of his accomplishments, Bernard admits that luck and timing have played a large role in his success. "Hey, this isn't rocket science here," he says. "Really, I think not having a background in food actually helped me. I came into this business without any preconceived ideas."

"When I started, people hadn't seen a hand cooker in this business for 50 years. They'd all say to me: 'It's not done like this any more. You're crazy.' But because I didn't have those prejudices, I just tried things. A lot of them worked." ■

Paved With You-Know-What

By Ark Monroe III

Around 35 million Americans lack health insurance. According to one authoritative estimate, more than 9 million of those people have been deprived of health insurance by state legislatures that presumably had a more benign intention in mind.

The legislatures have passed hundreds of laws dictating the content of health insurance purchased by employers for their employees. Those laws usually do not require employers to provide coverage; they do require, however, that if such coverage is provided, the policies must contain certain features. According to a report prepared for the governor of Minnesota, more than 600 state laws mandating benefits have been enacted since 1970; all states now require that coverage must include specified benefits.

The number of mandated benefits varies widely: Delaware, Idaho, and Vermont each mandate fewer than a half dozen; California, Connecticut, Maryland, Minnesota, and New York require 21 or more.

Typically, a state requires six to 10 offerings. The most common offerings—those that are mandated in 30 or more states—include coverage for psychologists, optometrists, and chiropractors, and for treatment of alcoholism; coverage for newborns; coverage for the mentally and physically handicapped; and conversion privileges, so that after leaving a company, a worker can convert from group coverage to self-paid individual coverage, regardless of the status of the worker's health.

Employers bear the brunt of the legislatures' generosity. Mandated benefits usually result in greater use of benefits by workers and higher costs generally; as a rule, the statutes contain no cost-containment mechanisms. A study conducted by the Health Insurance Association of America for the Maryland House of Delegates in 1985 concluded that Maryland's mandated

benefits raised employers' costs for employee-only coverage by 12 percent and for family coverage by 17 percent.

The flood of mandated-benefits legislation at the state level has had two major consequences: First, it has encouraged employers to opt out of regulated health insurance and purchase unregulated insurance, if they can; and second, it has made insurance unaffordable for many of those employers—typically smaller firms—that cannot obtain unregulated insurance.

According to the Minnesota report, the growth in state mandates has probably been a major factor in the recent

The flood of mandated-benefits legislation at the state level has encouraged employers to opt out of regulated health insurance and purchase unregulated insurance, if they can; and it has made insurance unaffordable for many of those employers that cannot obtain unregulated insurance.

decisions of many employers to self-insure. In 1981, only 21 percent of the employees in medium-sized and large firms were covered by such self-funded plans; by 1985, that percentage had doubled. In addition, over the same period, the states collectively enacted more than 200 mandated-coverage requirements.

Today, virtually all large firms and probably a majority of medium-sized firms have turned to self-insurance. The Employee Retirement Income Security Act of 1974 (ERISA) exempts self-insured plans from state mandates, and so those plans enjoy a cost advantage over plans that have mandated benefits.

Intended to help workers, state laws mandating benefits are instead denying health insurance to millions of them.

An additional inducement to self-insurance exists for companies operating in more than one state: Self-insurance eliminates the administrative burdens associated with operating a different plan in each state.

Self-insured plans may, however, provide less-comprehensive coverage than plans subject to mandated-benefit laws, so that more workers wind up with inadequate coverage. Moreover, firms unable to self-insure may simply eliminate coverage for their employees—obviously, a result opposite that intended by proponents of mandates. The National Center of Policy Analysis, a Dallas-based nonprofit organization that does research on legislative issues, estimates that 9.3 million Americans now lack health insurance because of state mandates.

Even self-insurance may no longer insulate employers from mandated benefits. Arkansas enacted a law last year mandating that coverage include specified preventive health-care services for children. That mandate applies to self-insured plans as well; and even though that portion of the law is inconsistent with ERISA's exemption for self-insured plans, it has not faced legal challenge.

Not surprisingly, states rarely repeal mandated-benefit laws. Some states are beginning to have second thoughts, however. In 1983, Washington became the first state to require that when legislation mandating benefits is introduced, it must be followed by a report to the legislature on the social and financial effects of the proposed mandates. Interestingly, no new mandates have been adopted by the Washington legislature since then. Oregon, Arizona, and Pennsylvania have enacted similar laws.

In the past several years, other states have enacted fewer mandated-benefit laws and have shown more interest in limiting mandate activity. Ultimately, though, relief may have to come from Congress. Last year, Sen. Orrin Hatch, R-Utah, introduced a bill that would pre-empt state mandated-benefit laws. Under the bill, the states could continue to regulate the business practices of health-insurance companies, but they could no longer dictate the content of their policies. ■

Ark Monroe III, a former state insurance commissioner in Arkansas and former legislative director for Sen. Dale Bumpers, D-Ark., is a partner in the law firm of Mitchell, Williams, Selig & Tucker in Little Rock.

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Family Business

How values molded a corporate culture; some thoughts on what makes a company a family firm; a case history of a troubled family's company problems.

CORPORATE MISSIONS

Values With A Long Reach

By Sharon Nelton

"The family exists to serve the business; the business does not exist to serve the family." That statement appears in a special edition of a company magazine, *The Printer*, which celebrates the 125th anniversary of the renowned Chicago-based printing firm R.R. Donnelley & Sons Co.

The quotation comes from Naomi Shenstone Donnelley, who in 1863, at 18, eloped with Richard Robert Donnelley. Her words and the company's early history show how purpose and values can mold a corporate culture and shape a firm's destiny.

When he was a teenager apprenticed to a printer, Richard Donnelley discovered his love for printing, and it is said that each night he prayed, "Please, Lord, help me to be a good printer." Soon after their marriage, Naomi and Richard moved from their native Hamilton, Ontario, to Chicago, where Richard became a partner in the company that would one day bear his name.

Richard died in 1899, and, according to the anniversary report, he left behind "a legacy of prudent, honest business practices and a tradition of service that still guides the company today." Sons Reuben Hamilton Donnelley and Thomas Elliott Donnelley took over the leadership of the business, which had grown to include the telephone-book printing company that would become the Reuben H. Donnelley Corp., now called Donnelley Directory and owned by Dun & Bradstreet Corp.

When R.R. Donnelley & Sons turned 60 in 1924, Naomi, the family matriarch, used the occasion to express her desire



PHOTO: TING CHAO

that the company "forever will be a synonym for fair dealing, for justice, and for honesty."

Transition to the third generation took place after World War II. A facet of the company culture was captured by a member of that generation, Gaylord Donnelley, in his book *To Be a Good Printer*. The family business, he suggested, was not just a printing business. "We are very much a part of the knowledge industry," he wrote. "And

at the same time, through our magazines, catalogs, directories, and financial printing, Donnelley is dynamically involved in news, merchandising, communication, and industry—in fact, in the breath and heartbeat of the national and worldwide human community."

R.R. Donnelley is now a global company with annual sales exceeding \$3 billion. Since 1975, the chairmanship of the firm has gone to nonfamily executives. But the fourth generation is active in the company leadership, and their great grandfather's prayer "to be a good printer" and their great grandmother's admonition that the family serve the business are now echoed in the company's mission statement.

It declares that "customer satisfaction will be the paramount consideration in the performance of every aspect of our work," and that "each of us must act with integrity and adhere to the highest standards of business ethics."

"Our company is 'The House That Quality Built.' As we grow, as we put additions on that house, each of us must exercise great care so as not to give less attention to the foundation of quality than did our predecessors."

No doubt Richard and Naomi could live with that.

PLANNING

Just What Is A Family Business?

By John L. Ward and Craig E. Aronoff

"We don't view ourselves as a family business," said the 46-year-old president of a major firm whose father founded the company and serves as chairman and CEO, and whose brother is executive vice president. The three of them control nearly 25 million of the company's shares and dominate the board of directors. Nonetheless, the president explained, "We view ourselves as professionally managed."

On the other hand, the proud owner of a new quick-printing franchise operation says: "Sure, we're a family business. My wife works the counter and keeps the books. The kids help out after school. I work about 14 hours a day. Maybe when I can afford more employees, we'll be less of a family business."

In our opinion, both companies are family businesses.

With all the talk these days of family businesses, you would think they would be fairly easy to define and identify. Yet two questions we are asked most frequently are: "Just what is a family business?" and "How many family businesses are there?"

Some businesses avoid the "family-business" label because they think the term connotes a lack of quality management. Others think that "family business" means small, "mom-and-pop" operations.

These attitudes are based on misunderstandings. Family businesses are not necessarily small. Our research shows that about one-third of the nation's 1,000 largest publicly traded manufacturing firms can be considered family businesses. About 10,000 to 15,000 privately held companies have more than 500 employees, and the vast majority of them are family firms.

Family businesses not only can be large, they also can be among the best performers. In 1988, when *Fortune* magazine evaluated its "500" list of the largest companies to determine which one performed best, it named a family business—Liz Claiborne Inc. Leonard

Sharon Nelton, Nation's Business special correspondent, writes about family firms.

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Mark Your Calendar

Feb. 8-10, Duck Key, Fla.

"Your Family-Owned Business: How To Build It, Manage It, Make It Last," a seminar sponsored by *Nation's Business*, Liventhol & Horwath, and Shearson Lehman Hutton. Keynoter is Peter Davis, director of family-business studies at the Wharton School of the University of Pennsylvania. For information, call Mary Howard at 1-800-521-1818.

March 15-17, Waco, Texas

"Balancing Family and Business," a conference featuring such topics as a family-business turnaround and when to sell the family business. The first day, for successors only, explores sibling rivalry. Write or call the Center for Entrepreneurship, Baylor University, Waco, Texas 76798; (817) 755-2265.

April 17-20, Corvallis, Ore.

"Managing Your Family-Owned Business," a seminar that offers programs for both the older and younger generations. Issues of special interest to younger people are offered the first two days; the second two days cover topics such as conflicts between family and business goals. For information, contact the Family Business Program, College of Business, Oregon State University, Bexell Hall 205, Corvallis, Ore. 97331-2603; (503) 754-3326.

May 14-20, Poipu, Kauai, Hawaii

Travel/Round Table program for couples in business, sponsored by the National Association of Entrepreneurial Couples and *Nation's Business*. Topics include stress management, goal setting, building communication, and balancing work and family. Program includes a choice of four sightseeing and relaxation packages following the workshop. For details, contact NAEC at P.O. Box 3238, Eugene, Ore. 97403; (503) 344-1566.

Lauder, chief executive officer of the private cosmetics giant founded by his mother, Estée Lauder, maintains that public companies simply cannot perform as effectively as private companies with strong cultures and professional management.

So family businesses are not defined by size, quality of management, or whether ownership is private or public. It is awfully tempting to identify any business that considers itself a family business as one. But we are scientists, of a sort, and demand greater precision and quantification.

Most simply stated, a family firm is one that includes two or more members of a family that has financial control of the company. Sometimes, all family members are in the same generation: siblings, husband-wife teams, occasionally cousins. More often, businesses recognize themselves as family businesses when at least two generations are involved: an entrepreneur parent and his or her children or occasionally a nephew or niece. By this definition, family members could be included in ownership, management, or employee roles—but family

intensity increases if relatives actually work in the business.

Of course, even when the owner/manager is the only family member directly involved in the firm, the entire family is powerfully affected by what happens in the business and vice versa. Sometimes the owner/manager inherits the business and recognizes the family's legacy and tradition even if no other family member is currently involved.

No one knows exactly how many family businesses there are in the U.S. According to various estimates, from 75 percent to 95 percent of U.S. companies are family firms, and they generate from 40 percent to 60 percent of the gross national product. These numbers are difficult to nail down. The Small Business Administration has reliable data on privately controlled companies, so we know that about 500,000 have 20 or more employees, and several million more employ two or more people.

To refine the data further, our research shows that about 40 percent of all midsized private companies already have two generations of family members involved. Moreover, 80 percent to 90 percent of all entrepreneurs who

have children in their late teens hope—usually quietly—that their kids will someday join them in the business.

Entrepreneurs rarely start a company to create a family business. But as a business and its owner mature, and as children reach an age when they can be envisioned as part of the business, the firm often evolves into a family enterprise.

But numeric definitions are unsatisfying because they do not touch the realities of family business. What sets a family business apart has more to do with values and attitudes.

Family businesses often are characterized by longer-term perspectives. Visions include not only personal accomplishments but also aspirations and goals for future generations. Indeed, we like to think of a family business as one intended for future generations. Such intentions give rise to the most critical family-business issues: long-term strategic orientation, careful estate-tax planning, and concern for leadership and ownership succession planning.

Ultimately, a family business presents a marvelous opportunity. It permits the character, energies, and resources of a family to be focused over the long term on building a profitable enterprise. The enterprise, in turn, can facilitate a family's growth and provide an outlet for family members' talents and creativity.

To start one's own business and be one's own boss has been a great motivational theme in this country. The successful transition of this entrepreneurial ideal to one's children has to be the next chapter of the American dream.



ILLUSTRATION: JIM ETAKI



John L. Ward is the Ralph Marotta professor of private enterprise at Loyola University of Chicago. **Craig E. Aronoff** holds the Chair of Private Enterprise at Kennesaw State College, in Marietta, Ga. Both are family-business consultants.

PHOTO: T. MICHAEL REED

CASE STUDY

A Disability Fuels A Crisis

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © 1990 by the Family Firm Institute, Johnstown, N.Y.

Al Martin's brother, Jack, shows no acceptance of his disability. But his short-term memory was reduced to almost nothing by brain surgery a year ago.

Al, who succeeded Jack to the presidency of the family construction compa-



ILLUSTRATION: JIM STARR

ny, looks and feels like a victim of the rack. He and Jack started running the company when their father and Uncle Sid, the founders, retired 10 years ago. Al's father died shortly after retirement, but Uncle Sid and Sid's two daughters still own 50 percent of the firm.

While Sid draws a substantial retirement "salary" based on a verbal agreement between the founders, he is upset

about his "fixed income," the "excessive" amounts Al and Jack are paying themselves, and his daughters' essentially nonyielding shares.

Now, with Jack's uninsured disability, the situation is critical. Al's responsibilities have practically doubled, and Al feels personally responsible both for continuing his uncle's income and for protecting his brother's future. Though sales are growing, the company's profitability is being squeezed severely by new competition and needs major capital reinvestment to compete.

Jack's wife is frightened. Sid's advice is, "Cut your salaries!" Al's cousins resent, generally, every decision Al makes. Cleaning up after Jack's mistakes and dealing with the family upheaval caused by Jack's disability eats up Al's time. He feels responsible. Yet—as 25-percent owner—he feels outnumbered, helpless, and frustrated. Where can he begin?

Al Needs To Spread The Burden

Donald J. Jonovic, president of Family Business Management Services in Cleveland and developer of PLAN-MAKER, a succession-planning workbook for family businesses:

The best place for Al to begin is to separate his job as president from his concerns as an owner and use his inherent power to get the shareholders to take responsibility for their own futures.

He's not responsible, as president, for approving capital investment, continuing unfunded payouts, deciding his brother's future, or even setting senior-management salary levels. These are shareholder issues.

Still, Al is far from helpless. True, he only has 25 percent of the ownership. But he controls 100 percent of the management in a company whose principal business asset is probably the president. He could walk away from the business at any time, risking his 25 percent, of course, but also their 75 percent. He could get another job or even start another company. This lever is a positive source of power that balances his minority-ownership position.

Al should immediately call an emergency shareholder meeting and lay out the major problems: a cash-short company saddled with a disabled key manager on full salary, inadequate plant and equipment, an unfunded retirement annuity to a previous owner, and an underpaid chief executive without whom the company is likely to fail.

This might seem harsh, but, contrary to some prevailing notions, shareholders in family businesses are not a special species, somehow beset by unique failures of communication. Actually, they're normal people who sometimes need a dose of reality to reawaken their common business sense and to prod them to begin acting in their true self-interest.

These owners need to make hard decisions as a group: to sell or to grow, to pay out or reinvest, and to compensate or not compensate key management. They may not want this job, but they've got it. Until they take it, nobody else can help. The blessings of ownership are not unmixed.



PHOTO: EDWIN FURRER

Clarify The Boundaries

Ivan Lansberg, research fellow at Yale University, in New Haven, Conn., and editor-in-chief of Family Business Review:

A central problem in this case is that all the players feel like they are "equals" when in fact they are not. When the boundaries between family, ownership, and management are not clear, people make inappropriate comparisons, and self-interest ends up dictating their perceptions of entitlement. Resources are scarce, and everyone's wishes cannot be satisfied simultaneously. Feelings of injustice and conflict invariably result.

It is critical that the people involved learn to differentiate the rights, responsibilities, and privileges that come with the different roles that they play in the family business. In this situation, for example, the owners need to understand that competent managers have the authority to manage the business and a right to competitive salaries. Managers, on the other hand, need to recognize that owners have a right to dictate policy and deserve some dividends for their shares.

Al should seriously consider investing time and energy in teaching the owners the difference between management and ownership. One should not expect owners to behave responsibly and be able to act as a group if they have not been trained to understand what their role is.

Al should also establish an ongoing family council in which all the relatives can come together to discuss such issues as why they want to keep this business in the family, the impact of Jack's illness, and the development of a dividend policy that would not hurt the company. Such a council would also provide the relatives outside of management with a forum in which to express their views.

A board of competent outside directors can also be invaluable in formulating policies that safeguard the owners' interests and help management manage more effectively. It could, for instance, help establish a fair buy-out formula for those interested in cashing out and also serve as a buffer between the family and the business.



To order reprints of this case study, see Page 74.

MANAGING

Let Your Journal Be Your Mentor

By Clarice E. Cady

Keeping a daily journal of your family-owned business can serve you in many ways. It can be a stress reliever when tensions run high. It can serve as a record of decisions made. It can become a source of the facts in the event of a family disagreement. And it can even help you be a better manager.

The most practical form of journal is a loose-leaf notebook that holds pages that measure 5½ by 8½ inches. This size fits easily in a briefcase or purse, and it doesn't become unwieldy if you want to write when you have a few minutes to spare as you wait for an appointment. As your notebook fills, the pages can be removed and stored in a separate, permanent binding.

Although time probably is a precious commodity to you, as it is to most business managers, you should set aside a specific time each day to help you acquire the habit of journal writing. The period just before you leave your office for the day will be the time that the information is freshest in your mind. But if writing while on the business premises proves to be unworkable, you may want to record the day's activities just before retiring for the night.

There is nothing quite so formidable as a blank piece of paper when you are ready to write. This blank-page phobia can be overcome by using the first page for stating your reasons for writing a journal and your objectives in keeping a history of your company.

To begin, write the history as you recall it. Tell when the company was begun, by whom, and how much money was invested. What methods were used to get it to the place it is today? What are your goals for it? What do you perceive to be the goals of other family members in the business? Are they in accord? If not, what must be done to gather family members into a more cohesive group?

Trade magazines contain a wealth of information on happenings in your industry. Your family-business journal is an excellent place to record significant industry events. Over a period of time, you will see industry trends evolving and can use this information in your own decision-making process. In the long term, you will have developed a substantial history of your industry that will prove to be informative to future generations in your business.

Clarice E. Cady is a small-business management consultant and writer in Glenwood Springs, Colo.

Your journal can become a means for testing ideas and even mentoring yourself. Written down, bad ideas will soon be recognized and discarded. Good ideas will take shape and become objectives that can be worked on.

Each evening, as you write your thoughts about the day, check your calendar for meetings to be held the following day. Write down what you expect to accomplish in each meeting, what objections you will have to overcome, and what you judge to be the best approach to take with each person. This exercise will let you know if you

are prepared for each meeting or if you should do some last-minute homework.

By expressing your anger and frustrations in your journal, you may save yourself the trauma of a family quarrel. If, after reviewing a specific problem in writing, you find the issue must still be discussed, you will be in a more rational frame of mind. Problems then can be dealt with by using an issues approach, not an emotional one.

Best of all, your journal can become a knowledgeable history of the family business and a lasting legacy of family accomplishments. ■

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LEADERSHIP

PC, Phone Home

By Ripley Hotch

On the fast track of high tech, Hayes Microcomputer Products and its founder, Dennis Hayes, try to look unhurried.

Hayes is a careful, methodical man. His speech is deliberate; hardly a motion seems to happen without being thought out. He never rushes into speech. When he gestures, it is a small, careful gesture, almost diffident, surprising in a large man.

But in business, Hayes is a hare among tortoises. Hayes Microcomputer makes modems, an unromantic device (the term is short for modulator/demodulator) that translates the analog signals of telephones to the digital signals that a computer can understand. Without modems, no communications could happen among computers that were not wired together.

The Hayes modem is the standard for this device. The modem that Hayes makes is top of the line, the ne plus ultra, most expensive and most desirable, standard-setter. In the world of modems, the term "Hayes-compatible" is as essential a part of the advertising of no-name brands as the term "IBM-compatible" is for personal computers.

It is something of a coup that your competitors of necessity have to advertise your product in order to advertise their own.

And all this is exactly what 39-year-old Dennis Hayes has always intended.

Great communicators:

Dennis Hayes cuddles up to his modem, the device that lets PCs use the telephone.

"I never intended to build a small company," he says, with a small smile. And his company is not small, not any more. Revenues have grown from his start on a borrowed kitchen table in 1977, when he had to seek outside contract work just to keep his fledgling company going, to an estimated \$120 million last year, according to Larry Cynar, an analyst with Dataquest, a California-based data-tracking compa-

ny. Figures are hard to come by because Hayes has built his company without venture capital, without public stock offerings, and without borrowing. It is a corporation now, having grown from a partnership, but Hayes still owns 92 percent of the stock. Cynar puts Hayes fifth overall for modem sales in the U.S.—with 7 percent of a \$1.2 billion market.

He doesn't have to answer to anybody. And that, too, is just the way he planned it.

His career has been built on doing what he knows. He was born in Spartanburg, S.C., of parents who worked for the phone company (his mother was an operator, his father a cable splicer). An engineering student at Georgia Tech, Hayes went on to work at a Florida company called Financial Data Sciences, which produced automated teller terminals for savings and loans, modified from ATMs used by banks. "They had a targeted market and a very specific product for that targeted market," Hayes says. The strategy fascinated him, because it meant the company could compete with much larger companies by holding a niche.

Hayes decided to use the same strategy, and spent three years studying and planning. He looked for a product in communications and computers, because that was what he knew.

He also knew he would have to start and grow his business from cash flow that sales would generate. "I didn't have a lot of money to invest, and I was also concerned that once I made a market entry, the niche



PHOTO: C.R. BRAD

NOT SINCE
EVERYBODY
LIKED IKE.



LEADERSHIP

wouldn't be so attractive that immediately I was going to have competition from all the large companies."

It was early on in the personal-computer business—they weren't called PCs then—and most of them were being built from kits. "I thought it was going to be a while before people thought about putting modems on those."

Hayes's partner, Dale Heatherington, made the technical improvements on current modem technology to make the devices easier to use on the kit computers. With three others, they began to assemble five modems a day by hand.

Unfortunately, at this point the careful planning went wrong. "The summer of the first year," Hayes says, "we were running about 60 percent of our plan." No cash flow, no company.

Others might have decided that the business wasn't there, but Hayes made the first move of many similar ones to follow. He was not going to be forced out of business, and he was not going to give up his company. He found some subcontract assembly work for larger computer companies, so that his team could stay together and he could make the payroll.

Hayes himself loaded his car trunk with his modems, and he peddled them around to the small hobby computer dealers, persuading them to carry his product. Because kit computers were new, dealers were looking for enhancements to sell. Hayes then began emphasizing the elements that would make his company not only different but also dominant in its chosen niche: service and quality. The relationships he established with dealers have lasted to this day.

"From the time I started until IBM introduced the first personal computer, we pretty much had an open field. We caught the wave of the PC just right and just shot right off the ground."

Catching the wave meant that the modems he created, and particularly the way in which his devices communicated with the computer, came to dominate the market. The "Hayes AT set" became the industry standard, and "Hayes-compatible" entered the PC lexicon.

Along with the phenomenal growth—Hayes may have hit its peak earnings in 1984—came the competition he had expected. "We blew right past the others in terms of our growth rate to become the largest marketer of modems. Once the IBM PC got into the marketplace, it seemed like every modem company came and took a shot at us." Hayes pauses and, once again, smiles at the thought of what happened. "We managed to fend off those attacks."

Hayes' service-and-quality defense was unusual in an industry that was often more concerned with double-digit growth rates than with whether a customer came back. Because he had positioned his products at the high end of the market, Hayes knew he had to add value. The company established as a principle that it would answer questions of customers who called. Computer vendors were famous for telling a customer that the source of any problem was another vendor's product. Hayes took the view that "if we know the answer, we'll tell you how to do it. It's not 'that's the other guy's problem,

answer has had four parts: new technology, expansion abroad, aggressive pricing, and diversification.

"If I had everything to do over again," Hayes says, "I would have started the international part of our business earlier and been more aggressive about it." The company has made itself part of the standard-setting apparatus for Europe 1992, and Hayes is excited about the prospect of a unified European market. He has also worked closely with AT&T to develop a board for ISDN—integrated services digital networks—the new communications standard for an entirely digitized telephone system. ISDN will carry more data than has been possible up to now, but it will also make standard modems passé.

Hayes is not worried about that. Although ISDN has not happened as fast as anyone expected, Hayes has put millions into its development, and he will be ready for—indeed ahead of—the market, just as he was with the original modem.

"We see ourselves really in the broader arena of computer communications," says Hayes. "The bulk of these products are still oriented toward giving the computer access to the telephone network. But it's not just modems and it's not just PCs any more."

"From the time I started until IBM introduced the first personal computer, we pretty much had an open field. We caught the wave of the PC just right and just shot right off the ground."

call him.' We'd rather get you going, get your system working, get you to be a satisfied customer, than to get the other guy to do it."

There was another advantage in taking that approach. Hayes and his technical staff have learned over the years how to get every other peripheral card or software package to work with a Hayes modem. The customer-service lines now field almost 25,000 calls a month. Dennis Hayes believes that the feeling of confidence the customer gets means he'll get more and more customers. "So I've got to make sure I keep making them happy."

Even so, Hayes has lost sales to a lot of other modem companies that have come out with much cheaper products; at prices below \$100 as opposed to \$400 or more for an equivalent Hayes modem, price becomes a problem.

As he held on to his high-end market, he saw more and more potential customers going to the lower end. He had the dealer channels from those early days of selling modems out of his car's trunk, but even those dealers were being forced to carry a cheaper product.

Something had to be done. Hayes'

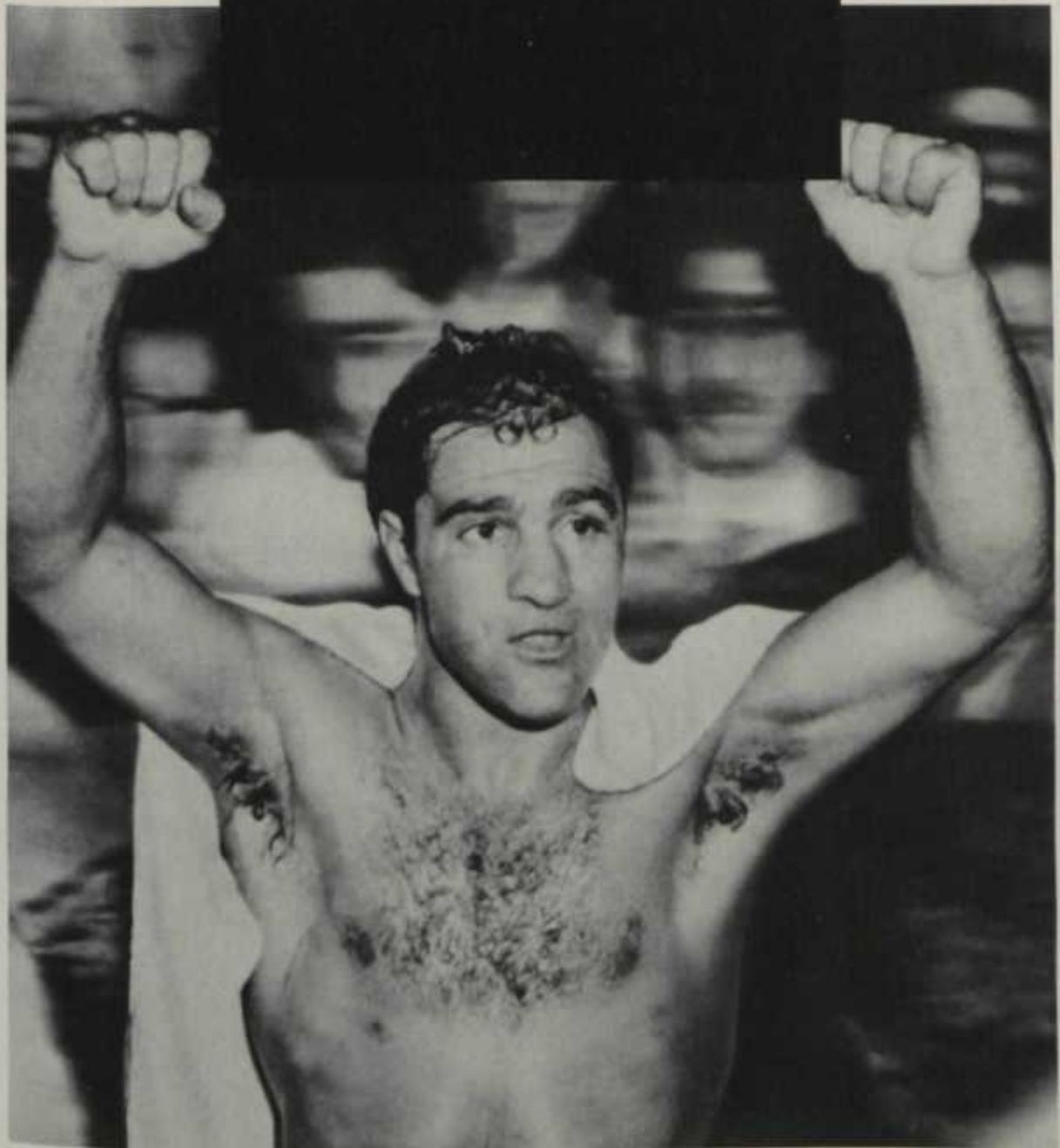
Pursuing that goal not just with research has driven Hayes to buy other companies, notably JT Fax and Practical Peripherals, a lower-priced modem maker. The fax machine has become as essential a part of the office as the word processor. Hayes hopes that the fax card in a PC will help bring the two devices together. The company is also pursuing research in E-mail, local area networks, and voice mail.

Finally, Hayes made a dramatic move and cut prices on the Hayes modem by as much as 28 percent on some lines, removing what he calls "a pricing umbrella for our competition." Although he insists that price is not the only reason people buy, Hayes admits that "when we get a situation where there begins to be a perception that your stuff's too expensive, you become vulnerable. So what we've done really is strategic positioning to overcome that potential vulnerability."

That is quintessential Dennis Hayes. He has learned, as Larry Cynar says, "better than almost any guy who started a business" that timing is everything. Hayes will do anything to have the right product at the right time, so he won't be vulnerable.

"Make sure you get the big issues right," Hayes says. "If you get the big issues right, making some small mistakes isn't deadly." ■

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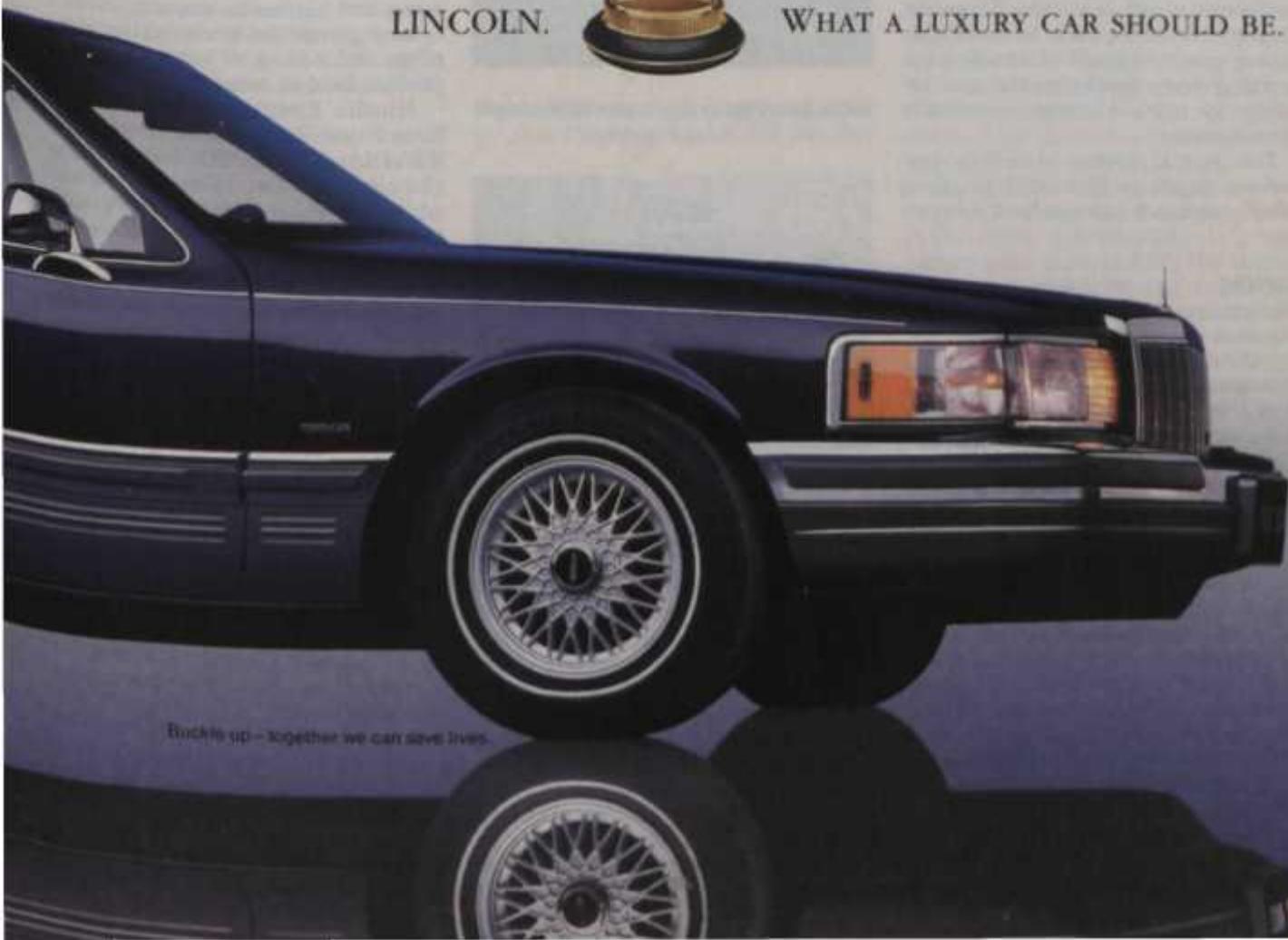
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TECHNOLOGY

The Basic Tools For Today's Office

By Jon Pepper

Matching office equipment to your business needs is a complex job. Product choices have grown rapidly in recent years as dozens of manufacturers have been competing for your copier, facsimile, and electronic-typewriter dollars. Even choosing among vendors can be challenging, because their numbers have grown in proportion to increases in the numbers of high-technology products.

The good news is that this increased competition has brought down the prices of office equipment at all levels of technological sophistication.

Even the so-called notebook computers, as essential to some firms as the basic office equipment—copiers, fax machines, and electronic typewriters—are becoming less expensive. These briefcase-sized computers are ideal for small-business executives who are constantly on the go. Although electronic notebooks weigh less than 6 pounds, they are heavyweights in terms of computing power, capable of handling everything from simple memos and reports to more complex electronic spreadsheets.

This special section describes features available on low- and high-priced office equipment and notebook computers.

COPIERS

Many newer models of copiers feature assorted electronic bells and whistles, yet they perform essentially the same functions as the plain-vanilla copiers that have been the mainstays of the office-equipment market for years.

Don't make the mistake of buying more copier than you need. High-technology options are nice, but don't buy them unless you need them.

If you are unsure of your future needs, choose a basic copier designed to accept options that you might buy as your business grows. Above all, choose a manufacturer with a reputation for high quality and reliability, and choose the dealer offering the best service contract and warranty.

Some copiers to consider include:

Kodak ColorEdge (Eastman Kodak Co., 343 State St., Rochester, N.Y. 14650; 1-800-255-3434). This is not a brand new machine, but it still is a top choice for high-volume, full-color copy-



Minolta EP4230 can enhance black copies with two or three colors.



Kodak ColorEdge is a top choice for high-volume, full-color copying.



Konica 1790 is designed for print volumes of 30,000 copies a month.

ing. The \$59,500 ColorEdge can churn out 23 color copies per minute, and it sports a full range of features.

Konica 1790 and Konica 3290 (Konica Business Machines U.S.A.; 1-800-648-7130). The 1790 copies 17 pages per minute (ppm) and is designed for print volumes of 30,000 copies a month. At \$3,495, this model has as standard equipment a long list of features, including zoom, reduction and enlargement, and manual printing of two sides

per page (called duplexing). Options include a 10-bin sorter and an automatic document feeder.

Also designed for a monthly volume of 30,000 copies, the 3290 is almost twice as fast (32 ppm) as the 1790. Standard features are much the same as the 1790, but the 3290 option list is more robust, including color copying (red, blue, and green), a 20-bin sorter, and automatic duplexing. List price: \$5,795.

Lanier 6272 (Lanier Worldwide Inc., 2300 Parklake Drive, N.E., Atlanta, Ga. 30345; 404/496-9500). If your copying needs tend toward high volumes or high speeds, then the 6272 from Lanier (formerly Harris/3M Document Products) is worth examining. This office heavyweight can produce 72 copies per minute, can handle up to 100,000 copies per month, and lists for \$22,800. The 6272 features automatic duplexing, automatic zoom reduction and enlargement, and automatic stapling. Add-on options permit automatic sorting, stapling, and adding of cover sheets to produce finished documents.

Minolta EP4230 (Minolta, 101 Williams Drive, Ramsey, N.J. 07446; 1-800-USA-DIAL). The EP4230 features Minolta's optional Simul-Color II process, which can enhance black copies with two or three colors (from a choice of red, blue, green, or sepia) in a single pass through the machine. Other notable features include zoom (50 to 200 percent), duplexing, and frame erase, which permits selective erasure of material from any of three sections of the original. List price: \$4,295.

Sanyo SFT-62 (Sanyo Business Systems Inc., 51 Joseph St., Moonachie, N.J. 07074; 201/440-9300). At \$1,349, the SFT-62 is designed for a monthly copy volume of 1,000 pages. The 10-ppm copier can print copies ranging from business-card size to letter size. It has an 80-sheet cassette and a sheet bypass, which lets you make copies on types of paper different from those in the cassette. Red or blue color-copying modules are optional.

Sharp SF-6000 (Sharp Electronics Corp., Sharp Plaza, Mahwah, N.J. 07430; 201/529-8200). Buying a copier doesn't necessarily mean emptying your bank account. The SF-6000 lists for only \$1,495, yet it doesn't skimp on features. Its speed is 8 pages per min-

*The essential—and increasingly affordable—
office machines for a small company now include not
only copiers, fax machines, and electronic typewriters
but also notebook computers. Here are some models
worth considering.*

ute, copies can be made in any of five colors (black, red, blue, brown, and green), and there are automatic exposure controls and enlargement/reduction ratios.

Xerox 5028 (Xerox Corp., P.O. Box 24, Rochester, N.Y. 14692; 1-800-832-6979). Xerox has become synonymous with high-quality copying, and now the company backs up its image with an exclusive three-year free-maintenance warranty on its desktop-series copiers. At the top of the line is the 5028, a 28-ppm workhorse with almost all the bells and whistles, including zoom (64 to 156 percent), computer-controlled copy quality, and automatic paper-size sensing and paper-tray switching. Optional features include a 40-sheet maximum document feeder and a 10-bin sorter. Price is \$8,215.

FACSIMILE MACHINES

The facsimile machine has become a standard piece of office equipment. How standard? Market researchers place last year's sales at almost \$2 billion, with no end in sight.

Business people are finding the fax machine almost irresistible because it is the fastest, easiest, and cheapest way to get a printed image from here to there.

As you might expect, the sales explosion in fax machines has wrought an abundance of models from manufacturers—everything from a cellular fax for use in cars or boats to full-feature models that do everything but make coffee.

The most popular models combine the convenience of fax and phone functions in one unit. Most machines use thermal paper, but more expensive plain-paper models are available. Consider buying a unit with a built-in paper cutter—a convenience item well worth its modest price tag. Finally, it's advisable that you buy a name brand, which is much more likely than a "no-name" to provide long-term satisfaction and reduce the worries of servicing and dependability.

Following are examples of faxes, features, and prices.

Brother INSTAFAX 300 (Brother International Corp., Office Equipment Division, 200 Cottontail Lane, Somerset, N.J. 08873; 201/981-0300). The IN-



Hitachi HIFAX 47 features a 50-sheet automatic document feeder.



Murata M900 is an affordable way to get into the fax game.



Swintec 7040 performs functions of more expensive word processors.

STAFAX 300 is a member of Brother's new INSTAFAX family of low-cost facsimile products. List priced at \$1,395, the INSTAFAX 300 includes an automatic document cutter, automatic document feeder, and programmable capability to dial automatically. Plus, it has COVERPAGE, a feature of all the INSTAFAX machines, which automatically transmits a cover page with each document. Simply program the information, and you no longer have to type

a cover page for each transmission.

Hitachi HIFAX 47 (Hitachi America Ltd., Telecommunications Division, 2990 Gateway Drive, Norcross, Ga. 30071; 404/446-8820). The HIFAX 47 is a high-end programmable fax that lists for \$2,895. It features a 50-sheet automatic document feeder, multiple delayed transmission, an LCD message screen, and a 40-phone-number memory. Other capabilities include programmable automatic redial, and mark and skip transmission editing, which lets you transmit certain parts of a document; it can accommodate a 328-foot roll of paper.

Lanier 5400 (Lanier Worldwide Inc., 2300 Parklake Drive, N.E., Atlanta, Ga. 30345; 404/496-9500). The Lanier 5400 uses plain paper instead of the thermal paper used in most fax machines. It also uses light-emitting diode (LED) technology for imaging, which is a high-quality system used in some laser printers. Just a few of the features of this high-end model are storage for 100 telephone numbers, automatic transmission for up to 100 other units, fax-activity reports, and confidential transmission. List price: \$4,995.

Murata M900 (Murata Business Systems, 5560 Tennyson Parkway, Plano, Texas 75024; 214/403-3300). At a suggested retail price of \$899, the Murata M900 is an affordable way to get into the fax game while still buying from a respected name (Murata is one of the top companies in the market). Though inexpensive, the M900 includes a five-page automatic document feeder, storage for 20 phone numbers, and only two keys: start and stop. The M900 can share a line with another phone or answering machine, so you needn't put in a separate phone line, and it includes a built-in telephone handset.

Panasonic KX-F220 (Panasonic Co., 1 Panasonic Way, Secaucus, N.J. 07094; 201/348-7000). Need a fax, phone, copier, and answering machine but have limited desk space? The KX-F220 combines all these functions into a sleek little high-tech unit. Fax features include 30-station automatic dialing and a 15-page document feeder. As a bonus, the KX-F220 can double as a one-touch desktop copying machine. The telephone system includes a 100-station speed dialer and a hands-free speaker-

TECHNOLOGY

phone with a mute button. The answering machine has voice time/day stamping, one-button control of functions, and a 16-second outgoing message "microchip" instead of a tape. And if you leave the office without turning the machine on, you can activate it with a phone call. List price: \$2,199.95.

Sharp FO-550 (Sharp Electronics Corp., Sharp Plaza, Mahwah, N.J. 07430; 201/529-8200). The FO-550 features 99-station broadcasting, a 15-page automatic document feeder, a two-line LCD for messages and status, and plenty of other high-end features at a list price of \$2,495.

Swintec SF530 (Swintec Corp., 320 W. Commercial Ave., P.O. Box 356, Moonachie, N.J. 07074; 201/935-6021). Swintec, known for its low-price, full-featured typewriters, offers a number of high-end features in its SF530, priced at only \$1,995. The machine's many functions include a 30-sheet automatic document feeder, 11-inch-wide paper input capacity, 20 one-touch speed-dial locations, and a 4-line LCD to lead you through various programming prompts and fax functions. It also has automatic document reduction.

TYPEWRITERS

Despite predictions to the contrary, the typewriter industry is far from finished. Sure, overall sales in the typewriter market are flat, but that has only increased competition among manufacturers, resulting in a bounty of innovative machines of all prices. In fact, the electronic features, display screens, and storage capacities of new-age typewriters make it difficult to distinguish them from their supposed replacements—low-end personal computers.

Why would you choose a full-featured electronic typewriter over a PC? There are several reasons, and the first is price. Although personal computers are generally more versatile than electronic typewriters, a complete computer system—including software and a typewriter-quality printer—almost always is more expensive than a typewriter. Also, while PCs are commonplace now, some employees are still put off by learning the ins and outs of computer operation.

According to industry experts, electronic typewriters with some memory and storage options make a lot of sense as workstations for secretaries and others whose output generally consists of short letters, memos, proposals under 10 pages, and executive correspondence.

If you plan on doing only occasional typing, experts say, you should look into lower-priced typewriters that offer the convenience of familiar technology and reliability.

If your business has some computers and some typewriters, then consider a system that allows exchange of documents via floppy disk. And choose a vendor that specializes more in names you trust than in flash and unbelievably low prices.

Brother TS-3050 (Brother Interna-



Panasonic KX-W1000 is a compact personal word processor/typewriter.



Brother TS-3050 is as convenient as a typewriter and as flexible as a PC.



Smith Corona XD 7600 allows you to store, edit, and print from memory.

tional Corp., Office Equipment Division, 200 Cottontail Lane, Somerset, N.J. 08873; 201/981-0300). What if you want the convenience of a typewriter and the flexibility of a PC? Then the Brother TS-3050 electronic typewriter/PC might be the machine for you. The typing system includes letter-quality daisy wheel and nine-pin dot-matrix printer heads in the same unit. It also features two disk drives for storage, a monochrome display, and two operating

modes to let you use the machine like a PC or a conventional typewriter. Word-processing spreadsheet, graphics, and data-manager software are included, and the system runs other IBM-compatible software programs. Options include a 20-megabyte (MB) external hard-disk drive and a display-stand arm. The suggested retail price is \$1,995.

IBM Wheelwriter Series (IBM Corp., NDD Headquarters, 101 Paragon Drive, Montvale, N.J. 07645; 1-800-IBM-2468). IBM offers a series of state-of-the-art typewriters and word processors for small and midsized businesses. At the low end, the compact IBM Personal Wheelwriter (\$645) is designed for home or small-business use. Moving up, the IBM Wheelwriter 10 (\$845) has full-page correction capability and a rating by Buyers Laboratory Inc. as the "Most Outstanding Entry-Level Electronic Typewriter."

The IBM Wheelwriter 30 (\$1,195) comes with storage capacity of 15 pages and a one-line display that lets you see what you are typing before you print it. The IBM Wheelwriter 70 (\$1,795), with a 25-line display, is a word processor also rated tops in its class by Buyers Laboratory. The top-of-the-line IBM Personal Typing System (\$2,945 with printer) offers features of typewriters, word processors, and personal computers in one machine. All of the machines feature IBM's world-renowned dealer network and reputation for quality.

Panasonic KX-W1000 (Panasonic Co., 1 Panasonic Way, Secaucus, N.J. 07094; 201/348-7000). The KX-W1000 is a personal word processor/typewriter in a compact 30-pound package. It sports a flip-up LCD screen that displays 14 lines of data at a width of 80 characters. It also has a 50,000-character memory and built-in word-processing software with a spell checker and a thesaurus. The integral letter-quality printer features interchangeable print elements, and a 3.5-inch floppy-disk drive for storing the equivalent of about 160 pages of material per disk. Price: \$680.

Smith Corona XD 7600 and PWP 7000LT (Smith Corona Corp., 65 Locust Ave., New Canaan, Conn. 06840; 203/972-1471). The XD 7600 is Smith Corona's top-of-the-line word-processing typewriter. Its numerous word-processing features allow you to store, edit, and print text from memory.

The XD 7600 also features a 75,000-word built-in electronic dictionary that you can expand with your own words, 20,000 characters of memory, and a 2-line by 40-character display—all for a list price of \$429.

If you crossed a notebook computer

and an electronic typewriter, you would come up with something very close to the PWP 7000LT, which Smith Corona calls a "Laptop Personal Word Processor." The \$899 unit weighs 6.5 pounds and has many word-processing functions, an electronic dictionary, a thesaurus, and a 16-line by 80-character LCD. A built-in standard disk drive provides storage for 100,000 characters of data, and rechargeable battery packs provide about five hours of operation. A portable letter-quality printer is included in the price; an optional spreadsheet software package is \$59.95.

Swintec 7040 (Swintec Corp., 320 W. Commercial Ave., P.O. Box 356, Moonachie, N.J. 07074; 201/935-0115). Swintec is a small company that for the second year in a row has beat out much larger manufacturers in the competition for the federal government's domestic and foreign typewriter-procurement contract. Swintec's hottest typewriter is the 7040. At only \$899 list, the 7040 performs many of the functions of more expensive word processors. File listings for the 16,000-character memory (upgradable to 48K) can be printed out easily, and there is an optional interface that can let the 7040 serve as a letter-quality printer for your personal computer. You can also order SPELL-PROOF, an 80,000-word electronic dictionary that spots possible spelling errors and includes space for a 300-word, user-created dictionary.

Xerox 62 Series (Xerox Corp., P.O. Box 24, Rochester, N.Y. 14692; 1-800-832-6979). The 62 Series offers what has been hailed as a significant breakthrough in noise reduction. The typing level is just 52 decibels, about that of ambient office noise, allowing conversations to continue easily near the typewriter. The entry-level price is \$895, but you can spend up to \$2,695 for a model with a 9-inch display, 20-characters-per-second print speed, a 3.5-inch floppy-disk drive for storage, and a character corrector, which lets you go back 510 characters to make changes.

NOTEBOOK COMPUTERS

Ever since manufacturers started putting handles on computers and calling them portables, users have dreamed of owning pint-sized computers that were lightweight yet full-featured. Now, years later, so-called "notebook" computers are available.

Most weigh less than 6 pounds and fit easily in a briefcase. All run the same IBM-compatible software as their desk-bound counterparts.

Here are some of the leading machines in this exciting category:

Compaq LTE/286 (Compaq Computer Corp., 20555 State Highway 249,

Houston, Texas 77070; 1-800-231-0900). Compaq, a leader in portable computers, has finally introduced a notebook entry: the LTE/286. It weighs only 6 pounds and has a number of features unique to notebook computers, including a powerful IBM-AT speed microprocessor and a choice of either a 20MB or



Tandy 1100 FD gains points for its five-hour battery life.



Compaq LTE/286 weighs only 6 pounds yet has several special features.



NEC UltraLite, weighing only 4.4 pounds, defined notebook computers.

40MB hard drive. Virtually any job that a large, immobile personal computer can handle can be done with the LTE/286—and all on battery power. The LTE/286 lists for \$3,899; the LTE, which lacks the 286 microprocessor, lists for \$2,399. Add to that \$600 for a 20MB disk drive or \$1,100 for a 40MB drive (LTE/286 only).

NEC UltraLite (NEC Technologies Inc., 1255 Michael Drive, Wood Dale, Ill. 60191; 312/860-9500). This computer

defined the notebook category. Weighing only 4.4 pounds, the sleek, black UltraLite packs a high-speed processor and operating system, and file-transfer software is built into its read-only memory (ROM). To minimize weight, NEC fitted the UltraLite with an innovative "silicon hard drive"—a 1MB or 2MB chip-based storage unit that retains data even when the computer is shut off. Battery life is rated at two hours. List prices are \$2,499 for the 1-megabyte model and \$2,999 for the 2-megabyte model.

Tandy 1100 FD (Tandy Corp., 1700 One Tandy Center, Fort Worth, Texas 76102; 817/390-3300). At 6.5 pounds, the Tandy 1100 FD is a bit heavier than its notebook rivals, but its price is right: \$999 list. The Tandy entry also gains points for its five-hour battery life and built-in graphical user interface, the widely acclaimed DeskMate. Also built into the system are the IBM-compatible operating system and a word-processing program with a 90,000-word spell checker.

Like the Toshiba, the 1100 FD also uses industry-standard 3.5-inch floppy disks. However, the 1100 FD lacks the built-in silicon-based hard disks that its competitors offer.

Toshiba T1000SE (Toshiba America Information Systems Inc., 9740 Irvine Blvd., Irvine, Calif. 92718; 714/583-3000). Toshiba's entry into the notebook market is a 5.9-pound wonder that measures only 12.4 by 10.2 by 1.78 inches. Though its features are similar to those of the UltraLite and the Zenith MinisPort, the T1000SE lists for only \$1,699. Also, the Toshiba notebook uses a conventional 1.44MB, 3.5-inch floppy disk, the same disk used by the IBM PS/2 line. A random-access-memory (RAM) disk of up to 3MB is available with a battery backup to protect data when the system is turned off.

Zenith MinisPort (Zenith Data Systems, 1000 Milwaukee Ave., Glenview, Ill. 60025; 1-800-842-9000). The MinisPort takes a different approach to notebook computing data storage—a unique 2-inch floppy-disk drive. The tiny disks can store 720 kilobytes of data, about half the capacity of floppy disks for the IBM PS/2 line.

Otherwise, the Zenith, which weighs a little under 6 pounds, also uses a silicon-based (RAM) hard disk and features a bit longer battery life than the UltraLite.

The MinisPort lists at \$1,999 for its base unit plus \$119 for a "starter kit" that includes an otherwise hard-to-find 2-inch floppy disk, a proprietary modem cable for transferring files to a desktop PC, and a cover. Add to that the cost of a modem, and the price approaches that of the NEC. ■

WORKPLACE

Yearning To Breathe Free

By Bradford A. McKee

Take a deep breath at work. Does the air indoors feel comfortable? Does it feel healthy? Perhaps there's an intractable odor, too much humidity, or an abundance of microscopic dust. Maybe it's too stuffy, or awfully dry. How do your employees feel? Do they ever complain about feeling uncomfortable at work—or unhealthy? Be alert to the signs of poor indoor-air quality, because ensuring clean air and good ventilation at work can boost employee health, comfort, and industriousness.

Illnesses traceable to air-quality problems may affect occupants in more than 2 million U.S. buildings, says the Environmental Protection Agency (EPA), which heads federal research on indoor-air quality. Experts say that employee illnesses linked to the quality of indoor air cost businesses millions of dollars in medical fees and lost productivity each year.

Poor indoor-air quality can cause various diseases and disorders, including eye, nose, or throat irritation; dry cough; itchy skin; headache; fatigue; poor concentration; dizziness; and nausea. It is often difficult to pinpoint the causes of such problems because the ailments can develop slowly and may stem from more than one source. People often call these manifestations "sick-building syndrome." One researcher, however, states it differently: "The buildings aren't sick. The people are."

Unhealthy indoor-air quality can be caused by, among other things, poor ventilation; irritants from inside and outside the building, such as dust or motor-vehicle exhaust; and biological contamination, like the germs that cause common illnesses. Unbalanced humidity can be a cause as well. Humidity that is too high may spawn bacterial or fungal growth; too-low humidity can dry out the nose and throat, boosting risks of infection.

Poor ventilation far and away ranks as the chief cause of indoor-air pollution, and it fosters most major contamination problems. Gray Robertson, president of Healthy Buildings International, an indoor-air inspection firm in Fairfax, Va., says his company has examined about 65 million square feet of office space, and it has found inadequate ventilation in 62 percent of the

buildings. "People have shut off the fresh-air supply to save money," Robertson says. "It's only a matter of time before people get sick."

Solving ventilation problems, though, doesn't rule out other sources of contamination. Indoors, chemicals such as styrene and benzene have been traced to partitions, carpeting, particleboard shelves, and other furnishings; to office machines such as copiers; and to clean-

Assuring high-quality indoor air in your company's office or factory could help employees stay healthy and be more productive.

allows large amounts of contaminants into the system. An intake fan near a loading dock, for example, can allow motor-vehicle exhaust to enter a building, creating a dangerous buildup of carbon-monoxide gas. "We've been in buildings with four to five times the recommended amount of outdoor air that still have problems" with indoor-air pollution, says Charles Lane, a researcher in the indoor-air diagnostics division of Honeywell Corp., in Bloomington, Minn. The problem in those instances could be poor or inadequately maintained filtration systems, he says.

Biological contaminants—fungi, bacteria, viruses, and molds—though not necessarily airborne, make up another major cause of illnesses that are related to poor indoor-air quality. Most are transmitted from person to person or arise from accumulations in air conditioners and room humidifiers or on flush toilets, water-damaged carpeting, or ceiling tiles.

Radon and asbestos, two common contaminants linked to cancer, are not significant factors in acute indoor-air sicknesses, according to the EPA.

Employers have a stake in assuring high-quality indoor air for employees. The EPA estimates that poor indoor air leads to direct medical costs of more than \$1 billion annually. In addition, indoor-air illnesses cost employers about \$4.4 billion to \$5.4 billion annually through paid sick days, lost years of work due to illness, and lower productivity on the job.

"An employee complaining about indoor air quality should not be brushed off as a pest," says Laurence S. Kirsch, a Washington, D.C., attorney and editor of *Indoor Pollution Law Report*, a monthly newsletter. "It's possible that the complaint has merit."

Business owners and managers should keep track of employees' complaints and take them seriously. They should be alert to patterns of complaints, especially following structural changes such as remodeling or new carpeting, or after a move to a new location. Occasionally, during construction or remodeling, particles of sawdust or plaster may land in air ducts; poor ventilation and filtration can allow this dust to recirculate. When this happens,



Something is in the air, and Kirk Sauerwein, left, and Craig Hiltunen of Healthy Buildings International, in Fairfax, Va., are testing to find it.

ing agents, pesticides, and tobacco smoke.

Environmental tobacco smoke, however, is a "visible scapegoat," says Robertson. "It's the only pollutant you can see. If the smoke just sits there looking at you, other contaminants must be trapped at the same time."

Even ventilation systems that appear adequate can cause problems, especially if the intake system for the building

or when bacteria attack soiled furnishings, the problem usually can be corrected easily by the owner or tenant.

Philip J. Bierbaum, an indoor-air researcher in Cincinnati at the National Institute for Occupational Safety and Health (NIOSH), says his office receives about 60 requests a month for its book on solving indoor-air problems, *Guidance for Indoor Air Quality Investigations*. (See the box below.) The publication tells employers the possible sources of problems in their buildings and—if they can't take care of the problems themselves—when to hire an indoor-air-quality consultant.

A good consultant will look for the most economically feasible way to solve an indoor-air problem. Typically, such consultants will interview people in a building to record their reactions to indoor air, take air samples for analysis, and walk through the building to determine ventilation patterns and find sources of irritants.

Robertson says that when his firm opened in 1981, most requests for indoor-air studies came about because of illnesses, but the trend now is toward preventing problems.

Last August, the EPA's Indoor Air Division, established by Congress in 1986, issued a report of its two-year study of indoor-air quality. As a result of the report, the division will spend \$1.3 million in 1990 on public-education programs and an information database, says Elissa Feldman, Washington branch manager in EPA's indoor-air office.

EPA will spend an additional \$2.5 million this year on indoor-air research. Much of this research, Feldman says, will try to solve the "rancorous dis-

agreement" among allergists and immunologists over "multiple chemical sensitivities," that is, the reason some people in a room may react violently to what others don't even notice.

EPA does not plan to issue regulations on indoor-air quality any time soon—and that's good, says Steve Risotto, speaking for the Business Council on Indoor Air, a group of industry specialists in Washington. The council recommends that the government hold off issuing regulations or health advisories for contaminants until development of a holistic "building-systems" approach, which would emphasize better design of ventilation, heating, and air-conditioning systems, Risotto says. "Only then can you go source by source or pollutant by pollutant."

The building-systems research on indoor air quality is in its infancy. Indoor-air researchers have enough data—from taking air samples inside buildings and investigating the designs of buildings—to identify serious problems in many structures.

Tracing the cause-and-effect relationships of indoor-air pollutants is difficult, however, because most information on illnesses related to indoor air is based primarily on the reports of individual sufferers. "There are very few epidemiologic studies in this area," says Bierbaum.

In the 1990s, building designers, developers, air specialists, and health-care experts will try to formulate indoor-air standards aimed at eliminating health hazards. The results should be apparent in reduction of illnesses and increases in the productivity of everyone—owners and employees alike—sharing the workplace and sharing the indoor air. ■

For More Information

Publications and information on indoor-air quality can be obtained from various sources. For example, the Environmental Protection Agency and the Consumer Product Safety Commission jointly have published a free, 32-page book, *The Inside Story: A Guide to Indoor Air Quality*. For a copy of the book or a publications list, write to the Public Information Center, U.S. Environmental Protection Agency, Mail Code PM-211B, 401 M Street, S.W., Washington, D.C. 20460.

The National Institute for Occupational Safety and Health offers *Guidance for Indoor Air Quality Investigations*.

gations, a handbook that can help employers spot sources of indoor irritants and decide when to call an indoor-air consultant. Write to the Division of Respiratory Disease Studies at NIOSH, 944 Chestnut Ridge Road, Morgantown, W.Va. 26505.

Information on health and energy matters related to indoor air can be obtained from the Consumer Product Safety Commission, Washington, D.C. 20207, and the Office of Conservation and Renewable Energy, U.S. Department of Energy, 1000 Independence Ave., S.W., Washington, D.C. 20585.

A free, nontechnical information packet on indoor-air problems is available from the Building Owners and Managers Association International, 1201 New York Ave., N.W., Suite 300, Washington, D.C. 20005, (202) 289-7000.

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WORKPLACE

Small Firms Enlist To Fight Drugs

By Bradford A. McKee

A driver for Sawyer Gas Co., in Jacksonville, Fla., was fired after admitting he had used marijuana the day he drove a liquid-gas tank truck into a ditch.

The truck didn't explode, and the driver was not injured, but company owner Charlie Sawyer was so concerned about the incident that he set out to educate himself about drugs.

Sawyer says he and his wife, Joanne, found "reams of information" on drugs and drug abuse but no formal program for employers. So Sawyer Gas started "Knowledge Is Power," an anti-drug program for its employees.

Businesses throughout Jacksonville learned about the Sawyers' program, and eventually it served as the prototype for an anti-drug program begun last year by the Jacksonville Chamber of Commerce, of which Sawyer is now chairman and chief executive officer.

Some employers, such as government contractors, are required by federal law to ensure a drug-free workplace. They must inform workers of the dangers of drug abuse and must publish and distribute a written policy stating that they will penalize employees involved in illegal drug activity. For other small firms, the ever-growing concern for employee safety, health, and productivity drives managers to learn what drugs are, how they are harmful, and how to keep them out of their companies.

Employees themselves are concerned about drugs in the workplace. In a Gallup Poll last December, conducted for the Institute for a Drug-Free Workplace, in Washington, D.C., 82 percent of employees surveyed said they support company policies against drug abuse and favor disciplinary action for violations of such policies. "Workers recognize the enormous threat drugs pose" to themselves and others, says William F. Current, the institute's staff director.

The institute is one of the leading groups offering businesses advice and information concerning drugs. Employers can write to: The Institute for a Drug-Free Workplace, P.O. Box 65708, Washington, D.C. 20035-5708.

Taking the initiative, business and community groups across the U.S. are rallying small companies to identify and eliminate drugs in the workplace.

Business and community groups nationwide are rallying small firms to identify and eliminate drugs in the workplace.



A Washington state anti-drug effort was formed by Sherwood Korssjoen, seated at the head of the table, and Charles Quist, standing.

and, eventually, in their communities.

Sawyer's company began fighting drug abuse nine years before the Bush administration's war on drugs officially started last September. But Sawyer's anti-drug efforts culminated that month with the kickoff of the Jacksonville chamber's program, renamed "Put Drugs Out of Business." A local firm, Robinson & St. John Advertising and Public Relations Inc., developed a slick print and video package for the campaign, donating employee time and materials estimated at \$150,000. "It turned into a huge undertaking," says Bill Robinson, the company's chief executive officer, "but our staff really enjoyed it." The program has been adopted by about 300 companies and is governed by business leaders, politicians, law-enforcement officials, students, and even former drug dealers with insiders' views on the problem.

"The key to addressing the problem is education," Sawyer says. Employers and employees "have to really understand what drugs are." He says the program is popular among small-business owners because it saves them research time. For example, employers receive a kit with a chart that outlines drug terms, tells what drugs look like, and describes common signs of drug abuse. Alcohol is the first drug listed on the chart. The kit also contains a sample workplace drug policy, information on the legal aspects of drug testing, and a videotape that shows employers how to establish a comprehensive prevention program.

At least 300 business leaders in Washington state have embarked on a similar effort, called Washington State Drug Free Business, a statewide group that oversees 10 "drug-free business initiatives" developing regional support programs for employers.

Charles Quist, a retired apparel sales manager who is now the program's executive director, formed the group with Seattle entrepreneur Sherwood Korssjoen, and with the help of Tom Pool, a drug-prevention specialist for the U.S. Drug Enforcement Administration. Quist's group holds two-day seminars for large and medium-sized businesses on drug prevention, and half-day seminars for small-business owners. He says, "The trick is to mobilize [owners] so they all work together."

In Montgomery County, Md., two workplace drug-prevention programs are helping small companies sort out their rights and responsibilities in fighting drug abuse among workers. A program set up by the Gaithersburg (Md.) and Upper Montgomery Chamber of Commerce gives solid information on drug programs to companies like Pleasant Excavating Co. Inc., in nearby Clarksburg. The company, which has 75 percent of its 170 employees operating trucks or heavy machinery, has had no drug policy except for the testing of truck drivers, required by the U.S. Department of Transportation. The company is inaugurating a policy for all its employees this year. Personnel Director Sherry Stiles says: "We keep getting stuff in the mail [on drug testing] that scares you to death. It's coming in from attorneys' offices and the government,



Taiwan Seeks Investments

In the four decades since the national government of the Republic of China (ROC) moved from the Chinese mainland to Taipei, its overriding priority has been harnessing the diligence and ingenuity of its people in order to establish the ROC as a global economic power.

This continuing quest already has produced what many economic experts call a "miracle." But although the ROC's standard of living and export-import volume are higher than those of all but a handful of nations, its government still is seeking to create additional investment opportunities, which will lead to economic and technological advancements that will benefit not only its own nearly 20 million people but also the people of other nations.

With the country's industrial base now well-developed, the ROC is seeking to stimulate technology-sensitive industries. Consequently, profitable opportunities abound for foreign investors with state-of-the-art technology in these industries:

Electronics. Though consumer and other electronic products already make up the ROC's second-largest export industry, production of high-value-added commercial and industrial electronics remains a priority.

Computers. This industry is well-developed in the ROC now, but growth potential exists, especially in the areas of systems and software.

Machine Tools. This industry is the ROC's third-largest foreign-currency earner, but it is changing rapidly, and opportunities exist for production of computer-controlled and other automatic equipment.

Electric Machinery. Although Taiwan manufacturers are turning out many heavy electric-machinery products, few incorporate advanced technologies.

Textiles. The ROC exports more textiles than any other products, but it still is seeking to shift production from low-cost, lower-quality products to high-end goods whose production utilizes advanced dyeing and finishing techniques.

Transportation Equipment. The ROC is among the world's most advanced shipbuilders, yet opportunities exist in this and other transportation industries, including production of motor vehicles and motor-vehicle parts.

Metals. The basic metals industries are well-established in the ROC, but manufacturers are looking to upgrade their capacities to produce such high-tech items as high-tensile aluminum and special alloy steel.

Food Processing. The ROC produces a wide variety of crops, seafood, and meat products and would like to export more of them through development of advanced food-processing technologies.

These are just some of the many opportunities that foreign investors can enjoy in the ROC on Taiwan. To learn more about them and others, contact: CCNAI Investment and Trade Office, 8th Floor, 126 East 56th St., New York, NY 10022; (212) 752-2340/2341 or 752-2841/2842; or Industrial Development and Investment Center, 10th Floor, 7 Roosevelt Road, Section 1, Taipei, Taiwan, ROC, 10757; (02) 3947213; facsimile—(02) 3926835.

WORKPLACE

and it's hard to get it all together to find out who's giving you the correct facts."

Stiles got help at a seminar sponsored in November by the Gaithersburg/Upper Montgomery chamber. The seminar gave step-by-step instructions on instituting a company drug policy, drug testing, and the benefits of treatment plans like employee-assistance programs (EAPs). Jon A. Gerson, executive director of the chamber, says his group may consider enrolling cooperatively in a model EAP, to cut costs and increase the number of businesses with access to an EAP.

Also in Montgomery County is Business Against Drugs Inc., a private-sector group that works closely with the county government to fight drug abuse. The Montgomery County government matches every dollar raised by Business Against Drugs to fight drug abuse, up to \$50,000 per donation. Bennett Connelly, chief of the county's Division on Children and Youth, says the county has contributed about \$100,000 over the past three years.

Businesses in Independence, Mo., are reaping the benefits of a \$70,000 grant from the Occupational Safety and Health Administration to the Independence (Mo.) Chamber of Commerce. Clark Smith, a specialist in employee-assistance programs, at Comprehensive Mental Health Services Inc. in Independence, stresses the critical role that employee assistance plays in a drug-free workplace. "When I work with businesses, I say: 'It doesn't matter if you like these employees or not, whether you want to help them or not. The question is: How much of this loss do you want to take?'"

Smith's comment illustrates the point that there is a loss not only when an employee is on drugs but also when an otherwise valuable worker must be let go because of drugs.

In Portland, Ore., Herman Goldberg, owner of Elmer's Pancake and Steak House Inc., a Pacific-Northwest chain, paid to produce a video on drunk driving and has plans for a "strictly drug" video for distribution to 700 Oregon video stores. He also set up a scholarship competition for public-high-school students who promise to stay drug-free.

Given proper direction, businesses of all sizes now find they are able to implement anti-drug programs fairly easily. The usefulness of drug education, drug-testing programs, and especially employee-assistance programs extends to every company. Small businesses that thought their size limited their ability to fight drugs actually may have greater strength because of their connection to their communities. ■

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People: The indigenous high-tech industry and consistent international high-tech investment testify to the high quality of the island's human resources. The ROC boasts a vibrant domestic economy and U.S.\$75 billion dollars in foreign reserves, second only to Japan.

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FAMILY BUSINESS

Family Firms' Global Reach

By Sharon Nelton

Question: What do these three companies have in common? Tasco, a Miami distributor of optical products, which did over \$85 million in sales in 1989. Molex, a public company that manufactures electronic components and had sales of \$571.9 million last year. Haworth Inc., a Holland, Mich., office-furniture maker, which posted sales of over \$500 million for the year.

Answer: All three are family businesses, and all are showing that family firms have just what it takes to succeed in the global arena. Each has a long-term outlook, willingness to develop personal relationships, and values and continuity that appeal to foreign customers, suppliers, and employees.

Family businesses have the "luxury" of being able to take a longer-term view of business than most other companies do, says Molex's vice chairman and CEO, Frederick A. Krehbiel, grandson of Molex's founder. Krehbiel, his brother, and his father hold 49 percent of Molex's stock. "We don't have to think we have to show a return in six months or a year," says Krehbiel. It may take five years to see any profit in countries such as China, Brazil, or India, but the company will go into a new market, he says, "because we think long-term, the company needs to be there."

Molex, based in Lisle, Ill., began doing business abroad in 1968, and that year the company posted export revenues of \$54,000 and total sales of \$6.3 million. Now Molex has 42 plants in 16 countries, and its international revenues exceed \$357 million, or 71 percent of total sales.

About 20 percent of Tasco's sales come from abroad. Run by George and Sheryl Rosenfield, a father-daughter team, Tasco sells binoculars, rifle scopes, microscopes, and other optics in 40 countries.

For the Haworth firm, which entered the international arena in the early 1980s, nondomestic sales account for about 12 percent of revenues.

Family businesses seem to have the patience it takes to develop the relationships that are necessary for doing business overseas. The Rosenfields succeeded internationally, they say, because they took the time to build genuine, long-lasting friendships with their

Distinctive strengths give family-owned companies just what it takes to succeed in overseas markets.



PHOTO: CHRISTOPHER VAN ES—BLACK STAR

With Tasco binoculars in hand, George and Sheryl Rosenfield view Hong Kong harbor with their Hong Kong representative, Andy Cheung.

foreign manufacturers and distributors. For example, nearly all of Tasco's products are made by Far Eastern manufacturers, and Sheryl Rosenfield, 39, says, "I've known most of these people since I was a child." Her father, George, 68, founded Tasco in 1946 and began to develop the company internationally in the 1950s.

Tasco's distributors are independents who not only sell exclusively for Tasco but also understand the cultures of the countries in which they work and live. George Rosenfield has taken steps to win their loyalty, often choosing young, ambitious people he felt were trustworthy and setting them up in business by extending them the credit they needed to get started—sometimes as much as \$200,000. Tasco's Japanese distributor was 18 when George Rosenfield met him 30 years ago. Now he's "like my son or my brother," says Rosenfield. And so it is with Tasco's distributors in Italy, West Germany, Israel, Switzerland, Hong Kong, and elsewhere. "All these people have really become beautiful friends," he says.

American corporations have a reputation for changing quickly—companies are merged or acquired, or executives leave after two or three years. But family businesses offer more continuity, according to Molex's Krehbiel. More than 4,000 of Molex's 6,200 employees are foreign, and, in a country such as Japan, Krehbiel points out, employees

join a company intending "to make that their life." Because Molex is family-owned and has a third-generation leader, a Japanese employee has more confidence that the firm will be around longer than another American company might be, Krehbiel says.

Such continuity is also valued by customers and business partners, says Nancy Bowman-Upton, director of the family-business program at Baylor University in Waco, Texas. In some countries, it is customary to have contracts that are "evergreen," lasting generations. Family businesses with good succession and continuity planning can meet a foreign business's desire to know "whom they would be dealing with in the next 30 to 40 years," says Bowman-Upton.

Going global can create excellent opportunities for nonfamily employees as well as for family members who may want to join the business. But the decision to expand internationally should not be made on the need to create opportunities for additional family members, Bowman-Upton cautions. First, you must have a product or service that can be exported.

Says George Rosenfield: "Whatever success you've had domestically is available to you in other countries. If you treat those people in the other countries exactly as you do your better accounts in this country, then the opportunity is there."

FAMILY BUSINESS

Steppingstones To Foreign Markets

Getting into international markets may be an appropriate strategy for growing a family business that has an exportable product or service. Several family-business owners who have already succeeded in the international arena offer these guidelines for going global:

customer in another country, it could then follow a strategy of broadening its base within that country.

3. Be flexible. "Every market has its own challenges," says Haworth, whose company is trying to build adaptability



PHOTO ©CHARLES LINDSAY—WHEELER PICTURES

On-site: Molex's Frederick Krehbiel, left, and John H. Krehbiel Sr. visit Goro Tokuyama, center, head of Molex-Japan, at a plant in Shizuoka.

1. Before you set foot on foreign soil, do your homework. Frederick A. Krehbiel, vice chairman and CEO of Molex, a Lisle, Ill., company that manufactures electronic components, was only 23 when his father assigned him to look into international opportunities more than 20 years ago.

He talked with U.S. Commerce Department officials and with business friends who had successful international operations, and he studied what competitors and customers were doing internationally. With help from the Commerce Department and from companies that sold complementary products, he built a list of potential representatives and distributors in the countries that he thought offered the best opportunities. He checked their credit and their references before going abroad to interview them. He says he thinks those steps "are as valid today as they were when we did it."

2. Look to your multinational customers to get you started. "The easy way to get into a market is with friends that you're comfortable with," says Richard G. Haworth, president and CEO of Haworth Inc., a Holland, Mich., office-furniture manufacturer. The Haworth firm found that its multinational customers wanted to buy the same products in other countries that they bought in the U.S. Once Haworth established itself with a multinational

into its products and make them "global products." For example, lateral file cabinets are designed to handle not only the letter and legal sizes of the North American market but also international paper sizes.

4. Commit to the long term. Krehbiel recalls that when he and his father first went on business trips abroad and had finished the day's discussions, his

For More Information

If you have never exported your products or services, help is available. Start with your state's commerce or economic-development department.

Also contact the International Trade Administration of the U.S. Commerce Department. Check the U.S. Government listings in your phone book for the number of the office nearest you.

Another source of help is the U.S. Small Business Administration's Office of International Trade, 1141 L Street, N.W., Washington, D.C. 20416; (202) 653-7794. Consider attending SBA's Export Expo 1990, a trade fair and conference to be held March 27-30 in Seattle. For information, call 1-800-368-5855.

See also "South Korea's Elusive Market," on Page 55.

father would ask him questions such as: "What are the advantages and disadvantages of doing business with this company? What would our strategy be, and how would it benefit us long-term?" Then he would say: "Let's not think just about today. ... If you're going to be here—and we hope you are 10 years from now, 15 years from now—do you think these are the right people?"

5. Remember that relationships are key. Don't just jump into a country to try to pick up an order or buy one item, says Sheryl Rosenfield, executive vice president of Tasco, a Miami-based distributor of optical products. For Tasco, "it was a long-term process of building relationships in each of these countries with people who are living there."

6. In choosing partners, look for similar values. In 1987, Haworth signed a licensing agreement authorizing Okamura Corp. to manufacture and market Haworth products in Japan, and in 1988 Haworth acquired Comforfo, a West German seating manufacturer. "They're very high-quality-driven companies, and they're very customer-focused organizations, which was consistent with the way we were trying to run our business here," says Haworth.

7. Don't let unfamiliarity with a foreign language deter you. None of the executives interviewed for this article claimed fluency in a foreign language, although Krehbiel admits he can "get along" in a few other languages. The general attitude is that knowing a foreign language is nice but not necessary.

8. Don't underestimate your potential. Don't simply expect your export sales to become a certain percentage of your U.S. sales, advises Krehbiel. Instead, look at what the total worldwide market is for your industry and what the U.S. component of that is to determine what your breakdown should be. For example, if the U.S. is 20 percent of the world market in your industry, whatever you sell in the U.S. should represent that 20 percent, and the other 80 percent of your sales should come from elsewhere.

It's important to look at the possibility of building an "international presence," advises Krehbiel, because the opportunities are "tremendous." And he recalls that the first year Molex began to look at international opportunities, the budget for doing so was \$24,000, "including my salary." Says Krehbiel: "If we could do it on a most modest budget, there's no reason anybody else can't do it." ■

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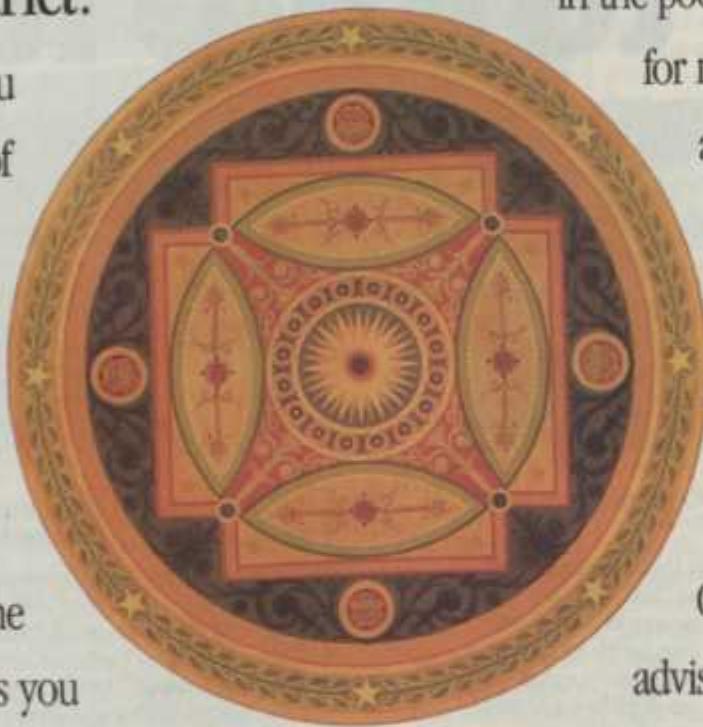
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MANAGING

Cardinal Sins Of Management

By Mark Stevens

We live in an age of mass-market management manuals. Everywhere there are books and pamphlets and brochures on how to launch and run successful companies. But in this huge mass of advice, a critical chunk of management wisdom is missing—advice on how to avoid the management mistakes that can damage even the best of businesses.

By avoiding the cardinal sins that can get companies into trouble, a CEO can prevent problems and, ultimately, increase the business's profits.

"One of the great sins of business management is allowing yourself to use tax dollars for working capital," says Edmond P. Freiermuth, a Santa Monica, Calif., consultant who specializes in turning around troubled companies. "Once you start using the withholding taxes you're supposed to be sending to the Internal Revenue Service, you start digging a hole from which it becomes harder and harder to emerge."

"If cash-flow problems require that you give some creditors the short shrift, don't include the IRS in that group. The idea is to get current on tax payments and to stay that way. Here's a strategy that can help:

"Contract with an outside service to process your payroll. Most will refuse to issue paychecks unless there are sufficient funds on hand to pay the necessary taxes. The service may cost more than processing the payroll on your own, but the price you pay won't compare to the costs and penalties you'll incur should you fail to meet your tax obligations."

Consider these additional "don'ts" of business management:

Don't play cat and mouse with your banker. Sure, when business is slow and loan payments are falling behind, your banker is the last person you want

to talk to. So you duck the calls and letters.

Big mistake. The very time that business is most dreadful—when sales and profits are sliding precipitously—is when you should step up communications with your banker. Candor is critical here. That's because if there's anything a banker hates, it's a nasty

Ignore this list of "don'ts" at your peril: You could expose your business to unnecessary risk.

"Rather than trying to hide your plight from the banker, you'd be wise to tell him about it. In many such cases, bankers can renegotiate the financing, allowing you to make interest-only payments for a period of time or to stretch out the term so that the monthly payments are more manageable. Bankers have become more creative in recent years. Why not see if they can put that creativity to work for you?"

Don't be blinded by ego. It's a mistake to think you can run your business single-handedly. To succeed in business today, you'll need wise counsel in marketing, finance, and administration. You can hire professionals in these disciplines, and chances are you should, but if you're really smart, you would get the kind of shrewd advice money can't buy. You should assemble a board of directors that includes business executives—whether active or retired—as well as faculty members from local business schools, and financiers, including bankers and venture capitalists.

Hold board meetings at least four times a year, reviewing your decisions with the directors and asking them for candid opinions of your management performance. Make it clear that the idea is to challenge rather than rubber-stamp you.

"The independent board members make an invaluable contribution to my company by helping me to paint a different perspective on a series of key issues," says Ann Lieff, chief executive of Spec's Music Stores, a Coral Gables, Fla.-based chain of record and video outlets.

"For example, when we were hit with staggering rent increases at a number of our stores, I was distraught," she says. "Some of the units had been part of the Spec's chain for more than 10 years, and I'd become emotionally attached to them. The thought of giving up [the locations] seemed terrible, but so too did the prospect of paying exorbitant rents. Caught between a rock



ILLUSTRATION: BARBARA KIRKES

Breaking into the piggy bank of funds earmarked for Uncle Sam can be a most costly way to borrow.

surprise. If you inform your banker of a business problem only after it has become a crisis, the banker will lose faith in you. You'll be burning your financial bridges behind you.

There's also a positive reason. Because they are experienced at solving financial problems, bankers can often come up with solutions you could never arrange on your own.

"Let's say you took out a five-year loan that you could handle quite comfortably at the outset," says Barry Schreiber, a partner with the New York accounting firm of Richard A. Eisner & Co. "But then two years down the road a recession brings about a slump in your business. Suddenly the loan is a hardship. Bottom line: You can barely make the payments."

Business columnist Mark Stevens is the author of Sudden Death: The Rise and Fall of E.F. Hutton.

MANAGING

and a hard place, I felt miserable. "That's until I raised the issue with one of my board members. He told me to just look at the numbers. If I could continue to earn a sufficient return at the higher rent, I should sign the new lease; if not, I should look for new space. As an entrepreneur who had owned hundreds of restaurants in leased space, he knew exactly how to deal with this issue."

"That's one of the beauties of attracting experienced board members: Because they've already faced and solved so many of the issues that are new to you, they can bring the wisdom of hindsight to your decision making."

Don't "fix what ain't broke." Meaning: If something is going well in your business, leave it alone. Sounds obvious, right? But it isn't always that way. The temptation to "fix what ain't broke" frequently prompts CEOs to meddle where they shouldn't.

Just recently, for example, a retail merchant who has been in business for 20 years found himself courted by competing wholesalers who pitched hard to gain his account. When one promised lower prices that would yield annual savings of \$10,000, the merchant was tempted to make the switch even though his current supplier had been serving him efficiently and reliably for two decades. He was tempted, that is, until an adviser reminded him that the savings were hardly worth jeopardizing a supply arrangement that functioned so smoothly. In the end, the merchant stuck with the original supplier.

Don't stick with a manager

when the person is no longer right for the job. "As companies grow, the employees don't always grow along with them," says Bruce Clark, executive director of Interim Management Corp., an executive recruiting firm in New York City. "All too often, the CEO keeps thinking he can bring the person up to speed with more training, more education, more experience. While there's nothing wrong with giving your people a chance to succeed, as the boss you also have to know when you're dealing with a lost cause. Wait too long to replace key executives and you'll feel the effects where it hurts most—on the bottom line."

"For example, it's one thing to manage the sales function for a \$5-million-a-year company that sells through a single sales force in a limited geographic

market, and another thing entirely to manage sales for a \$20 million company that sells through two sales forces and that covers international markets. The person who performed well in the first capacity may not have what it takes to succeed in the second. . . . The underlying rule is to replace or transfer managers before they are operating at their level of incompetence."

Don't relegate. Delegate. As the growing business prepares to cross the threshold from an entrepreneurial to a professionally managed business, the CEO authorizes subordinates to perform many of the functions the boss once handled alone. This is a critical prerequisite for success, but it is often mismanaged.

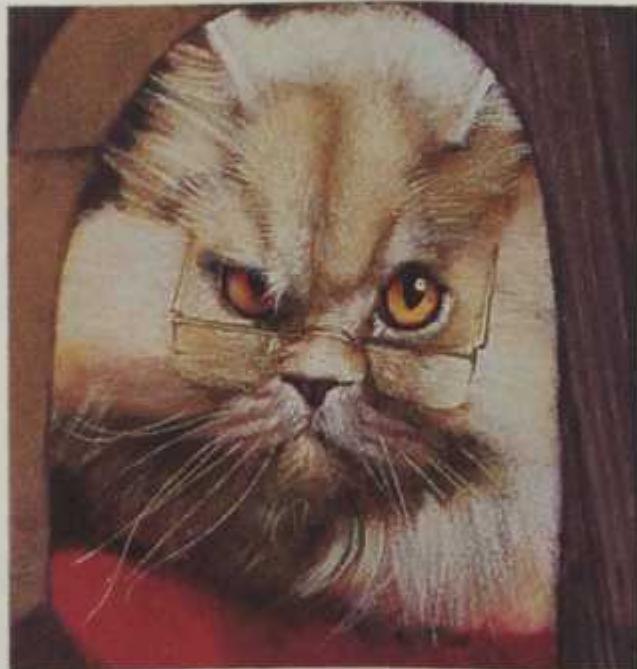


ILLUSTRATION: SABRINA KWAK

Playing cat and mouse with your banker when your firm is in a little trouble can mean big trouble later.

"The process doesn't work when the CEO simply relegates responsibility to those who are closest to the function, even if they are incapable of handling it," Freiermuth says.

"But that's what happens all the time. For example, when the CEO recognizes it's high time that the company had a controller, he simply promotes the bookkeeper into that position, even though the bookkeeper isn't a CPA and is hardly up to the task. After filling a number of positions on this basis, the CEO pats himself on the back and says: 'I've delegated day-to-day management to others. Now I'm free to pursue more exciting things like mergers and diversification.'

"But he's not really free to do anything [not if he cares for the well-being of the company], because he hasn't

really delegated; he's only relegated. Putting incompetents in place to handle major functions is a prescription for disaster. Once the CEO recognizes his need for professional management, he has to devote considerable time and thought to filling those positions."

"Only after he fills all the key positions by recruiting the appropriate talent is the CEO free to pursue the long-term, strategic issues the company must face."

Don't finance expansion or diversification entirely with credit. An overly liberal use of credit can have damaging repercussions. Freiermuth says, "In today's lending environment, successful companies can borrow all they want to from a wide range of capital sources," and that can become addictive. He says there is danger when managers take out enormous loans to finance expansion and diversification.

"Should that expansion or diversification falter, and should the business find itself hard-pressed to repay that huge debt," says Freiermuth, the lenders could downgrade the company's credit rating. And "quickly the problems brought on by the expansion or diversification impact the core business, threatening that as well."

"A wiser approach," Freiermuth says, "is to limit the use of credit to no more than three times equity. This ratio, which is generally considered safe, is watched closely by the banks. Most are reluctant to make additional loans to companies stretched beyond this point."

Don't chase after unprofitable business, sacrificing gross margins for the sake of higher sales.

"You'd think experienced entrepreneurs would be too shrewd to chase unprofitable or marginally profitable business, but they do it all the time," says Joel S. Singer, a senior manager with the New York-based business-consulting group of Spicer & Oppenheim, CPAs.

"Sure, Coke and Pepsi and other corporate giants can afford to temporarily sacrifice margins for market share, but for smaller businesses, that's playing with fire. The company that's used to earning 10 cents on the dollar is going to suffer through bad times if it has to make do with 5 cents or less. That's the danger of tampering with profit margins." ■

INTERNATIONAL TRADE

South Korea's Elusive Market

By Joan C. Johnson

Vern Ryles had no illusions about exporting to the Republic of Korea. He knew it would take patience and persistence to break into this new and very foreign market. But after more than six years of persevering, he's wondering how much more patience.

Ryles is president of Poppers Supply Co., a small Oregon-based firm that sells 30 flavors of popcorn to supermarkets, theater chains, and food-vending companies. Exports to Pacific Rim countries such as Japan, Taiwan, and Singapore account for about 5 percent of Poppers' business.

Popcorn was embargoed by the South Korean government when Ryles began looking into trade there in 1983. But based on his experience exporting elsewhere in the Far East, Ryles expected the ban would be lifted at least partially in a relatively short time. It didn't happen.

Poppers seems caught in a no-win situation. Ryles cannot bring his manufacturing know-how to Korea without U.S. corn, because Korean corn is not suitable for American-style popcorn. And the Korean government, concerned about the economic welfare of its politically powerful farmers, doesn't want to import either raw corn or finished corn products—despite the fact that Korean-style popcorn differs greatly in appearance, taste, and texture from the American snack.

The Korean government temporarily lifted its ban during the 1988 Summer Olympics, held in Seoul. That provided Ryles the chance to test market Poppers popcorn, and it proved to be popular, especially the bright-colored fruit flavors.

Last year, South Korea announced that it would lift its embargo against corn and certain other agricultural products in 1990.

Ryles says he will wait and see. He had expected removal of the embargo after the Seoul Olympics. "Now they say it's 1990," he says. "It's like a move-

ing target." But he still has hope.

"My goal was—and still is—to get in early," he says. "Then, as trade barriers come down, I hope to become a successful offshore competitor. Eventually, I want to become a domestic producer, either through a joint venture or some other arrangement."

"The opportunities are there if you're willing to put in the time and do your homework."



Tim Krouse with a laser processing system of the kind his company has sold in South Korea.

Electro Scientific Industries Inc. (ESI), which sells sophisticated laser systems to electronics manufacturers worldwide, has had a very different experience in the South Korean market.

The company, with more than \$83 million in sales annually, made its first sale in Korea in 1979, after it had been approached by a firm that needed a laser trimmer for production of the hybrid circuits that are used in most electronic products.

It was five years before ESI made its next sale in South Korea, says Tim Krouse, vice president of the firm's laser systems division. That followed a government decision to put much more emphasis on development of the country's electronics capabilities.

Establishing trade ties with South Korea takes perseverance, good information, and a lot of patience.

In the meantime, ESI contracted with a Korean company, Oyang Corp., to act as its representative, and through this intermediary the company began developing collegial relationships essential to doing business in Korea.

Since 1984, ESI's sales have grown to the point that the company felt it was important to establish a presence in South Korea. The firm entered into a joint-venture agreement with its repre-

sentative, and in late 1989 the pact was approved by the Korean government. ESI retained 80-percent ownership of the new company, known as Oyang ESI.

Establishing a business in South Korea is "a little different" from simply exporting to that country, says Krouse. "The government requires a lot of justification [for the venture]. Korea is just beginning to open up to foreign investment and only recently changed the law to allow up to 100-percent foreign ownership. But it probably would not be wise to go for 100 percent—not in this country where personal relationships are so important."

The different experiences of Ryles and Krouse demonstrate a fundamental fact of life about doing business in the Republic of Korea: Enterprises that fit with government economic-development goals and policies have a much better chance of success. Potential exporters and investors in South Korea should keep that point firmly in mind.

Their experiences also show that developing direct export trade with South Korea should not be viewed as a short-term venture. Success demands staying power and patience.

Unless a company is willing to commit the time and money needed to develop and support a long-term relationship, it's probably not worth trying to do business in Korea.

Smaller companies can avoid many of the problems of direct exporting by marketing their products through intermediaries, such as U.S. export trading companies or commission agents. But before deciding whether potential sales

INTERNATIONAL TRADE

justify the commitment required to develop a direct export program, a company needs to do some serious homework.

A Unique And Different Culture

One of the biggest mistakes any potential exporter can make is to assume that what works in the U.S. or even Japan will work in Korea. Koreans have their own sense of identity and their own ways of doing things. Thus, an understanding of Korea's people, history, culture, and customs is essential to developing a fruitful business relationship.

For example, ESI's Krouse says, "If you don't understand that Koreans make group decisions, you won't understand why you can't get an immediate commitment from the president of a company."

Relationships are highly valued in Korea, so it's important to take a personal interest in business associates and to cultivate their friendship and trust. An agreement between colleagues is more inviolate than a deal made quickly between strangers.

Entertainment is also an integral part of business relationships. When offered, social invitations should be accepted and also reciprocated in some way.

On the other hand, Korean business etiquette is generally quite formal, and the exchange of business cards is an integral part of every introduction. The American tendency to use first names is considered discourteous, so surnames (Mr. Park; Ms. Kim) should be used. And dark-colored business suits are the appropriate attire for almost any event other than a game of golf or tennis.

Choosing A Korean Representative

A Korean sales representative or distributor can help provide guidance on how to do business in Korea and can help a company make the necessary business contacts.

"One of the biggest difficulties for American companies is finding a good representative," says Krouse of ESI. "You need someone who has the interest and ability to learn about your product line. You want someone who is respected by other Koreans, someone who has good contacts."

The U.S. and Foreign Commercial Service (US&FCS), an agency of the Commerce Department's International Trade Administration, has a program designed to match American exporters with foreign agents and distributors at nominal cost.

Other companies already doing business in Korea are also good sources of agent recommendations. And some firms have been inundated with letters

from Korean agents wanting to represent their firms.

It is important to investigate potential representatives carefully before making a final decision. Ask for their history, resources, and export experience. Find out if they have represented other American firms or if they have experience with product lines similar to yours. Check references and credit. (Background reports may be obtained from commercial credit firms as well as from the US&FCS, which will prepare a World Traders Data Report on a specific foreign firm, for a fee.)

said. It's wise to speak slowly, to summarize what has been said, and not to be shy about asking questions.

Companies interested in exporting should take steps to protect their intellectual property—patents, trademarks, and the like—as securely as possible. South Korea is among a handful of nations that U.S. Trade Representative Carla Hills placed on a "watch list" of countries where intellectual property rights are infringed frequently.

"If you don't protect yourself," warns Poppers' Ryles, "you may find that someone else has registered your name and wants to sell it back to you." Ryles says the concept of protecting a name or patent runs counter to Korean cultural traditions that hold that ideas are to be shared.

Ryles was advised to register his name and trademark in both English and Korean—usually one language is sufficient—and to register Poppers' packaging design and logo to prevent copying.

For many companies, developing an ongoing export business involves much more than maintaining high product quality and competitive prices. Firms also have to be concerned with providing support services for customers, which can be a real headache.

ESI, for example, attributes much of its success in Korea to its ability to provide a high level of support and service. But the company is large enough to send and maintain abroad the technical personnel necessary to provide such services.

Smaller firms often do not have this capability. A company in Tigard, Ore., Frye Electronics, which sells highly specialized equipment for testing hearing and hearing aids, found a different after-market service solution. Too small to provide support technicians, Frye designed its equipment so repairs can be made easily with an exchange of circuit boards.

The company relies on its overseas agents to describe a problem and then follow instructions on how to make a repair. "We use a fax machine," says Sallie Frye, the firm's international-marketing manager. "It's absolutely indispensable for dealing with such problems."

Poppers, which does not have to provide the same level of service as suppliers of finished goods, will resolve the service issue in still another way. When its popcorn can be sold, its South Korean distributor will have sole responsibility for servicing its customers.

Neither Ryles nor Krouse reports running into any anti-American feelings in their dealings with Korean business and government officials. In fact, Krouse says he has never seen either a



"Opportunities [in South Korea] are there if you're willing to put in the time and do your homework."

VERN RYLES
PRESIDENT
POPPERS SUPPLY CO.

Service Is Essential

Many Koreans speak English, but cultural differences and varying levels of comprehension can get in the way of communication. Americans should be aware, for example, that nods and smiles do not necessarily indicate agreement in Korea, only that the listeners are trying to show an interest in and understanding of what is being

demonstration or police with tear gas—except on the evening television news—although he has made nearly 50 trips to Korea.

In short, while doing business in South Korea is not always easy, in time it almost always can be done. As Krouse of ESI puts it: "If you have a good product and good support and you take the time to build personal relationships [with Koreans with whom you will have commercial dealings], you will get business. But it's not going to be next week or next month. It's going to take time." **NB**

For More Information

Tim Krouse, vice president of the laser systems division of Electro Scientific Industries Inc., believes that almost any successful U.S. company can trade in South Korea. Patience, diligence, and a solid base of legal, regulatory, and other business information are all that is required, says Krouse, whose own Korean business has thrived for the past five years.

You will have to provide the patience and diligence, but the necessary information can be supplied by others. Among them:

- Branch offices of the U.S. and Foreign Commercial Service. The US&FCS, an agency of the Commerce Department's International Trade Administration, made up of commercial officers abroad and industry and country experts in Washington, D.C., offers a range of services and information to help companies evaluate their export potential and to assist them through the exporting process.

- Freight forwarders, trade associations, major banks' international departments, and other businesses already trading with Korea. These likely sources of practical advice and information will probably be familiar with the potential problems as well as the rewards of trading with Korea.

- State agencies that assist with trade development. The range and quality of services varies from state to state, but most state agencies are very professional and useful.

- The Korean Trade Centers, located in New York, Miami, Chicago, Dallas, Los Angeles, and Washington, D.C. The centers offer information on favored import items, import policies of the South Korean government, marketing and business data, and methods for approaching Korean markets.

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Software To Tame Your Tax Return

By Laura Lou Meadows

The time of the paperless tax return may be upon us. Even the Internal Revenue Service is touting electronic filing with the tax packages they sent out nationwide—anything to get poor old Uncle Sam out from under those warehouses full of 107 million Form 1040s. Of course, electronic filing means computerizing as many tax returns as possible.

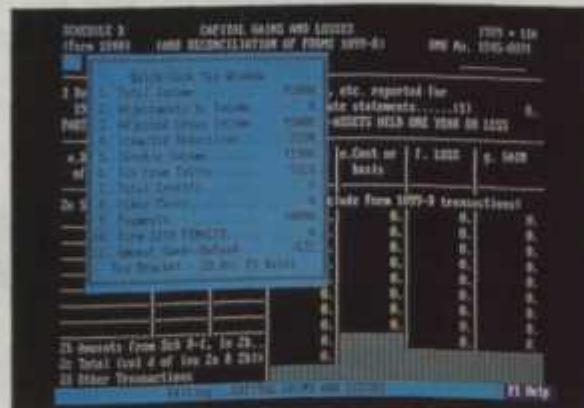
This year's crop of off-the-shelf tax software for preparing 1040s is finally getting to the point where its helpfulness is greater than the time it takes you to figure out the programs. For the computer-literate business person who already is using a spreadsheet, word-processing, or other office program, tax software is easy enough to be a true bonanza at tax-return time. And with many of the programs priced below \$100 (under \$50 at some discount stores), they are worthwhile for anyone with a computer who is facing the tax-return task without a friendly accountant. Even if you do use an accountant, the tax-return programs can help you save time—and money—by organizing the material for the accountant.

As you would expect, tax programs have always been good at arithmetic. That's nice on the first pass but a godsend when you think you're all done and then find a receipt for \$627 that has to be put into a sub-sub-calculation, which then affects the entire return. Today's programs can absorb such a change and recalculate (in two or three seconds on my 286 IBM clone) every form and schedule that it affects.

The new tax programs can "interview" you to determine which schedules you'll need, and they can display pull-down menus to make forms and features easy to find, pop-up calculators and help windows to give you specific instructions for the line you're puzzling over, and general advice on a tax topic. Entries are color-coded to alert you to differences between your entries, the numbers the program calculates, and overrides you make to accom-

modate special circumstances. (If you don't have a color monitor, the programs use underlines and reverses to achieve the same result, though it is harder to see.) Most have tax summary windows that you can call up at any point to see how much you owe based on what you've entered so far.

Each year tax programs get better at applying formulas and automatically



Automatic calculations are TurboTax's strong suit.

carrying results from supporting schedules back to the 1040. They are also better at automatically computing items such as the self-employment tax on your Schedule C profits. Most information you enter only once, and the computer carries it to every other place it's needed.

To see the features in operation, we tested four of the leading tax programs with a tax scenario for a married couple with two salaries generating excess FICA, a business with depreciable properties reported on Schedule C, a limited tax partnership interest (for a total income over \$200,000), child-care expenses, and typical itemized deductions. All four programs produced a correct return; some took a little coaxing, and some did more on their own. Each of these programs contains 30 to 50 forms, schedules, and worksheets—enough to handle all but the most complex tax returns.

TurboTax

Now in its sixth year, TurboTax has become the top seller with its sleek, simple operation, its screens that track

the IRS forms and line numbers, and its authentic IRS instructions, which appear for a particular line at the touch of a key. Its automatic calculations are as thorough as any individual program on the market. Operations of the function keys appear on the bottom line of the screen, and pressing the escape key highlights pull-down menus.

The depreciation worksheet finishes the tedious task of figuring depreciation deductions by the time you have answered a series of questions on pop-up screens about basis, percentage of business use, method of depreciation, and so on. Then when you call up Schedule C, TurboTax will have put the correct figures on the proper lines.

When you've completed your entries, TurboTax reminds you to run its diagnostic routine to see if you have answered all essential items.

The two manuals are detailed but not overwhelming: One explains the operation of its many features, the other tells you what the program is doing at each line of every form, schedule, and worksheet. If you get bored, TurboTax will keep score as you romp through a series of tax-trivia questions.

TurboTax, \$75 federal, \$40 each for 41 states. Discount for last year's registered users: half price for federal program, \$25 for each state. Minimum hardware requirement: DOS 2.0 or above, IBM PC or compatible with 384K, two floppy drives or one hard drive and one floppy drive. ChipSoft Inc., 5045 Shoreham Place, San Diego, Calif. 92122; (619) 453-8722.

TaxCut

For a person who wants more hand holding on tax concepts and more help on specific tax rules, Andrew Tobias' TaxCut offers a unique Expert Advisor for more than 50 topics. Expert Advisor asks you about one element of your transaction at a time, deriving its next question from your previous response. Pausing to explain any tax term that may baffle you, it will come up with an answer based on the data you entered. If you have second thoughts, you can





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go back and change your response, and the ever-patient Expert Advisor will give you a fresh answer.

For those who lack courage to organize masses of receipts, statements, and other tax-related documents, TaxCut's Shoebox feature gives you guidance on where to put a piece of information, and it will zip you to the correct line of the right form. The TaxCut Auditor is good for revealing anything you've missed.

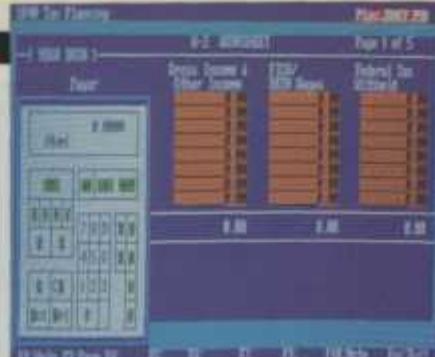
How to get through it all is explained in Tobias' nimble on-screen tutorial called "Hello New User." TaxCut is unique also in its guarantee, based on a Touche Ross & Co. review of the program, to reimburse any penalty you may have to pay because its calculations are not correct. (Naturally, the guarantee doesn't apply if you make the mistake.)

Andrew Tobias' TaxCut, \$79.95 federal, \$49.95 for eight states (California, Illinois, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, and Virginia). Hardware requirements: 512K RAM IBM PC or compatible, DOS 2.0 or later, two disk drives, or a hard drive and one floppy. MECA Ventures Inc., 327 Riverside Ave., Westport, Conn. 06880; (203) 222-9150.

Your Income Tax

For more than 50 years, the massive J.K. Lasser's *Your Income Tax* book has been a reliable tax reference work designed for taxpayers confronting their tax returns themselves.

The J.K. Lasser's *Your Income Tax* computer program that comes packaged with the book builds on this advantage. When you come to a line on an IRS schedule in the computer program where you need enlightenment, the



J.K. Lasser pops up a handy calculator.

help key will open a window with a brief explanation and a reference to the paragraph in the book where you can find the full story. Lasser's operational hints that pop up as you move the cursor along the screen are especially helpful for people who feel skittish around a computer. To save you time and trouble typing in many choices, it presents you with a list. Put the cursor on your answer and press enter to confirm your selection.

J.K. Lasser's Your Income Tax, \$79.95 federal, \$39.95 each for California, New Jersey, and New York. Discount of 40 percent for last year's registered owners of federal program; state programs are \$29.95 for owners of federal program. Hardware requirements: 512K IBM or compatible, two floppy disk drives (hard disk recommended), DOS 2.0 or later. Simon & Schuster Software, 15 Columbus Circle, New York, N.Y. 10023; 1-800-624-0023.

Tax Shop 1040

As a relative newcomer, Tax Shop 1040—Personal has the most colorful screens and a simple, intuitive mode of operation with lots of brief on-line instructions available. It is fast and facile

for the less complicated return. Its two fine small manuals take you through the operation and the forms.

It is the only one of the four programs examined here that does not calculate an asset's depreciation itself, requiring you to figure out the number and enter it on the depreciation form. Ditto for passive activity loss computations. Its laser printing capacities are superb.

Tax Shop 1040, \$69 federal, \$29 laser driver, \$29 for each of 33 state programs, no discount for updates of personal version. For replicas of all tax forms with laser driver, Center Piece Accounting & Tax Font Cartridge, \$239. Requires 512K IBM PC or compatible, DOS 2.0 or higher and two floppy drives (hard disk required to run the electronic filing portion). TenKey Publishing Inc., 7650 Municipal Drive, Orlando, Fla. 32819-9823; 1-800-448-1415.

Hard Copies And Refunds

Print-out time is the moment of truth. All four of these programs will produce a graphic Form 1040 that looks like the IRS's own plus typed copies of the other forms and schedules, all of which are accepted for filing.

TurboTax and TaxCut will produce the graphic 1040 on either a dot-matrix printer or a laser printer without a special font cartridge. Lasser's graphic 1040 prints only on a dot-matrix printer. It will type out the 1040 information on a laser, but you would have to transcribe the numbers onto an official form or photocopy it with form overlays to have it accepted by the IRS. What Tax Shop lacks in sophisticated calculations, it makes up for with its laser-printing facilities. With a laser

Postponing The Day Of Reckoning

Not quite ready to face Uncle Sam? You are entitled to an automatic extension of up to six months to file a tax return for your business, provided you request the extension on the proper form by the initial due date. The leeway you can get, like the kind of federal tax return you file and the primary due date for your business's tax return, depends on the form in which you conduct your business. Here are the dates for calendar-year taxpayers.

If you operate as a sole proprietorship, your business is included on Schedule C of your personal Form 1040, due on April 16 this year. You can have

an automatic extension of four months until Aug. 15 by filing a Form 4868.

If you conduct your business as a partnership, the partnership's return on Form 1065 is due on April 16, but you can obtain an automatic extension of three months until July 16 by filing Form 8736.

If you carry on your business as a corporation, the corporate Form 1120 (or Form 1120S for S corporations) is due on March 15 and can be automatically extended six months to Sept. 17 by filing a Form 7004.

If you are a partner or an S-corporation shareholder, the fact that the business secured an extension of time to file doesn't automatically extend the time for filing your own return. However, since you can't complete your return without the Form K-1 that lists your

share of the partnership's or the S corporation's income and loss items that have to be included on your own Form 1040, you are likely to need your own extension if the business return is going to be filed after April 16. Use the Form 4868 to request it.

Extensions of time to file a tax return don't mean you have extra time to pay the taxes. The Catch-22 is that all the tax is due on the original date—or earlier through estimated payments.

How can you pay the full tax if you don't have all the data for the return? Estimate. If you are a little short in your estimate, you will definitely owe some interest on the deferred payment. If the estimate is too far off (less than 90 percent of the final amount on a Form 1040), penalties may also be applicable.

printer, a Center Piece Accounting & Tax Font Cartridge at \$239 (good for many years) and laser driver at \$29 (new each year), Tax Shop in one pass will print out your data on an official IRS replica of all 33 forms in the program, not just the 1040.

If you have a refund coming, three of these programs—TaxCut, Tax Shop 1040, and TurboTax—create a data file that can qualify for electronic filing. Of course, you need to mail your floppy disk, along with your signed Form 8453 Declaration (which these programs will print out) and your Form W-2, to the publisher's transmitter, who does the filing with special software and a souped-up modem. By next year, you should be able to do this with your own modem. Still, the current procedure does mean you'll get the IRS's acknowledgment that your 1989 Form 1040 was electronically received, and your refund will arrive in two weeks or less if you authorize its direct deposit in your bank account.

Once you've plugged all the numbers into a federal 1040 program, you still have to contend with state tax returns. Most state income-tax returns are based on the federal figures with minor adjustments. All four programs reviewed here have compatible state programs. TurboTax has programs for 41 states that pick up the information directly from the TurboTax federal program and calculate the state returns with a minimum of further exertion. Tax Shop 1040 has programs for 33 states, TaxCut for eight states, and Lasser for three states. Prices for state-tax programs run from \$30 to \$50 each.

No computer software is a substitute for professional tax advice, but in the realm of tax-return number crunching, these programs are light years ahead of the hand-held calculator.

Next: Business Tax-Return Software

What with Congress' habit of putting new wrinkles in the tax law late every fall, many software publishers won't have their business tax-return software polished and ready for inspection until mid- or late January.

Look for the reviews of computer software programs that do partnership returns, Forms 1065, and corporate returns, Forms 1120 and 1120S, in our April issue.

If you run one of the typical partnerships or corporations that take advantage of the automatic extensions, you will have plenty of time to meet your new deadline if you have sent the IRS the extension forms before the original due date. (For more information about extensions for filing tax returns, see the box on the opposite page.) ■B

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Guaranteed Results

By Charles A. Jaffe

In September 1988, JWS Technologies Inc., a Piscataway, N.J., industrial gas distributor, was late on 311 of its roughly 7,500 scheduled deliveries. Although that late-delivery rate of 4.85 percent didn't send customers bolting to the competition—after all, late deliveries sometimes have to be expected—JWS's president, James P. Lyons, wasn't satisfied. He believed a service company like his needed a superior delivery record to keep customers happy and expand its market. So Lyons developed a simple service guarantee: If JWS was late with a delivery for any reason, the customer would get the ordered gas for free.

To motivate his employees, Lyons set aside \$4 per worker for each day that no deliveries were missed. At the end of every quarter, employees would share the money as a performance bonus.

During September 1989, nine months after putting the guarantee in place, JWS Technologies made 99.76 percent of its deliveries on time, missing just 17. JWS's Allentown, Pa., subsidiary, Blue Valley Welding Supplies Inc., which gets about 1,200 orders per month, missed just six deliveries during the first nine months of the guarantee. Blue Valley gave away approximately \$250 in gas for late deliveries.

Moreover, with establishment of the guarantee, "our criteria for measuring [on-time deliveries] had become more stringent," says Mike Kaputa, JWS's general manager of operations. "Our improvement is even bigger than the numbers show."

Lyons of JWS is among a growing number of executives willing to risk offering an unconditional service guarantee in exchange for the improved efficiency, marketing advantages, customer satisfaction, and worker mo-



Guaranteeing service helped JWS Technologies, says President James P. Lyons, shown with Mike Kaputa.

role that go with keeping service promises.

Manufacturers have provided product warranties for years, but conventional business wisdom has long held that service can't be guaranteed. Unlike hard goods, services are generally produced and consumed at the same time; an auto part can be inspected and returned to the factory, but installation of that part can't be checked in advance to ensure that it is done properly. And while on-time deliveries are easily measured, many other standards of good service are not so objective. Who decides the "proper" amount of courtesy? How can you guarantee performance that may hinge on a worker's mood?

Since the criteria can be so subjective,

Many firms discover the rewards of offering unconditional service guarantees.

tive, the potential losses from the service guarantee are less predictable than those from a manufacturer's warranty. Because of that variable and the potentially high level of risk, business traditionally has shied away from providing service guarantees.

But when a service company wants to distinguish itself from its competitor, it typically finds few if any options other than offering a service guarantee.

"A service guarantee can be a turbocharger to force change and quality improvement, making a good company much better," says Christopher W.L. Hart, assistant professor at the Harvard Business School and head of the TQM Group, a service-management consulting firm in Cambridge, Mass. "Companies that pride themselves on service should try to develop breakthrough performance. Committing to perfect service forces you to actually do it, and the benefits from success can be enormous."

Service can be guaranteed in various ways. Many restaurants promise a free meal or dessert if service isn't fast. Some hotels cancel charges when a guest is disappointed with service. Some banks

hand out coffee mugs or dollar bills if customers aren't greeted by name and with a smile. Toronto-based Speedy Muffler King and Car-X auto-repair shops—separate operations under joint ownership—go even further, offering a 110-percent refund: a dissatisfied customer is refunded the cost of the service plus 10 percent for the inconvenience.

Quality experts and executives at companies making unconditional service promises agree that the guarantee development process starts with a difficult question: Might the demands of imperfect service be met without major losses?

Says Hart: "When I sat down and wrote the words to my guarantee—if

you're not 100-percent satisfied, you can choose to either pay me nothing or a percentage between 0 and 100 percent of my fee—I froze. It forced me to think about my service in a way I never did before. It forced me to think of every conceivable source of client dissatisfaction.

"A service guarantee should become a line item on the balance sheet, so any executive who goes through the process *should* get scared. But if [the executive] can provide service commensurate with a very strong guarantee, the risks are worth it."

Guarantees are often instituted to create marketing advantages, but a well-planned program changes the entire service-delivery system, making it better at every turn. Federal Express Corp. developed methods for efficient package handling, capitalizing on its success by promising "absolutely, positively" that packages will arrive overnight or the customer won't pay.

"A lot of companies look at a guarantee only as a marketing effort, but it works best when it is a two-pronged program," says John Haywood-Farmer, an associate professor at the University of Western Ontario School of Business Administration. "The best approach is starting with the philosophy of providing outstanding, guaranteed service and then building the organization around it."

Al Burger started Bugs Burger Bug Killers 29 years ago, promising to eradicate pests before accepting a customer's money. "I guess if he had been an MBA or something like that, he probably wouldn't have done it," says Richard Mason, director of marketing for Prism Inc., the pest-control company's name since its acquisition by S.C. Johnson & Sons in 1986. "He had an insurance policy to cover the losses, but he canceled it because it cost more than it saved."

Prism, and before it Bugs Burger, had been "built around the promise of perfect service," Mason explains. "We hire our people on the basis of their being able to deliver, and we get and keep our customers because of our success at it."

Indeed, Bugs Burger and Prism have been successful in spite of charging up to 10 times more than the competition. Says Mason, "People don't necessarily mind paying a little more when they

know exactly what they are getting, guaranteed."

While Bugs Burger is perhaps the ultimate case of building an organization around a guarantee, existing companies often reorganize or change procedures to accommodate service promises.

JWS's guarantee, for example, improved operational efficiency, particu-

mine how many customers arrive at each branch, when they arrive, what they do, and how long their transactions take. With that information, Wells Fargo developed flexible scheduling, hiring part-time workers to handle basic transactions, and customizing their hours to meet branch needs.

"We pay them more on an hourly basis, but there are no benefits, so it's actually cheaper this way," says Don Routh, chief financial officer and senior production manager of retail banking at Wells Fargo. "But the whole process started with the idea that we could provide faster, better service. By staffing this way, we greatly reduce waiting time."

Last September, Wells Fargo unveiled "Five Minute Max," promising checking-account customers \$5 if they wait more than five minutes for service. "If they wait too long, we should pay for their time," says Routh, whose license plate reads 5MINMAX.

Through the first 25 days of the program, Wells Fargo paid the \$5 guarantee an average of 308 times per day. It averaged 350,000 transactions a day, meaning a success rate of more than 99.9 percent.

"We improved staffing and efficiency, and we make customers happier at the same time. There is a cost to doing it, but it's much less than we save from the operational changes," says Routh. "And this isn't something that ends when the ad campaign stops. It's a commitment. It's how we do business from now on."

At TBA Resources Inc., a New York-based training firm, establishing a service guarantee meant developing

new guidelines to measure client satisfaction. Since successful training, unlike waiting time, is almost entirely subjective, most firms wouldn't consider a money-back promise; TBA's guarantee is based on the levels of improvement the customer expects to see. If those standards aren't met, the customer gets a refund.

"Throughout the process, we use quality-assurance assessments to measure our level of success and attainment of objectives," says TBA's president, Tom Blodgett. "What's terrific about the system is that it doesn't wait for some arbitrary judgment at the end. It gives us an early-detection mechanism; the guarantee operates like an insurance policy against the remote

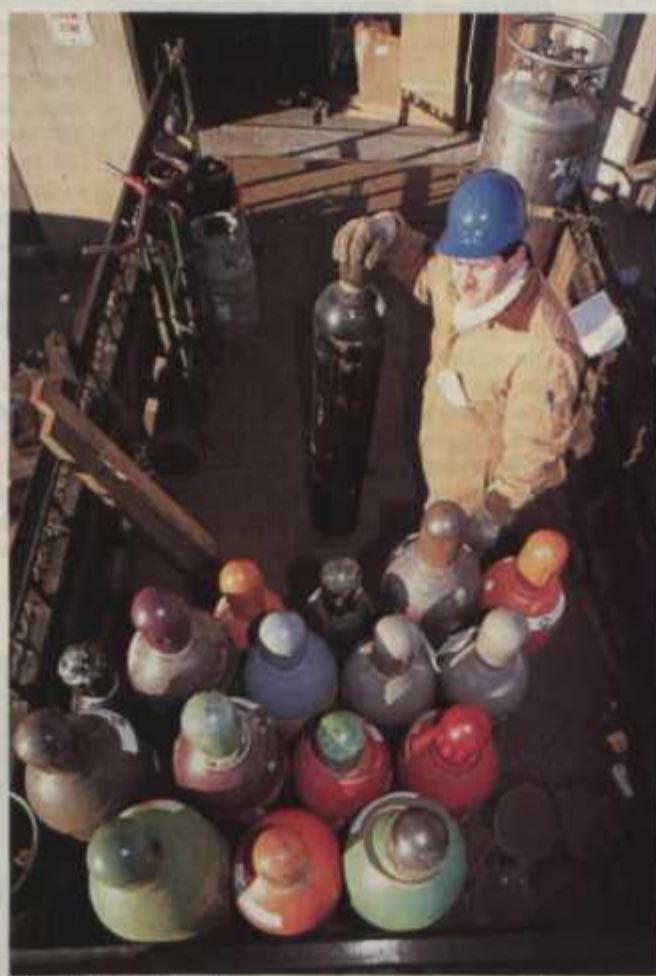


PHOTO: TOM SOROLIA-BLACK STAR

On-time delivery of industrial gas is the service goal of this driver—and all employees—at JWS Technologies.

larily when the first claim was made on an order delivered with a defective valve, the fault of JWS's suppliers. "The gas was delivered on time but wasn't usable; it was like we missed delivery," says Lyons. "It wasn't our fault, yet we felt we owed them the gas. Now we check valves. The guarantee forced us to eliminate small problems that we took for granted."

San Francisco-based Wells Fargo Bank revamped its operations before developing a guarantee. In 1987, the bank began studying personnel. Traditional full-time staffing was often a waste of money; there were too many workers during slow times and too few during peak hours. Company officials used time-and-motion studies to deter-

SERVICE

likelihood that the assessment does not suffice in making sure we meet our goals."

TBA has never paid out on its guarantee. Blodgett says the company has "only five or 10 major projects a year, and paying out for even one client could potentially mean the loss of 10 percent of our fees."

Yet academic experts and others knowledgeable about service firms say that losses are necessary, in effect, because they demonstrate to both clients and employees that the pledge of perfect service is genuine. "People don't want their money back, per se," says Michael Mackey, director of marketing for St. Johnsbury Trucking Co., in Holliston, Mass. The regional trucking firm has several levels of money-back guarantees, all promising satisfaction. "What our customers like about the guarantee is the commitment to service it represents. Most buyers are risk-averse and want us to deliver on time and in good condition. If it does happen that something goes wrong, they can get their money back; the guarantee doesn't get the job done, it just keeps customers from walking away when we don't [get the job done]. It lets them

know we're serious about doing things right."

In some instances, the promise is the basis for specific operational improvement. These "process-step guarantees" are short-term programs with measurable goals achieved largely by the cus-

tomers. In other cases, such as when a bank wants to encourage customers to switch to new computer systems, the guarantee is part of a broader program. For example, when Key Bancshares of Wyoming, Wyoming, wanted to switch to a new computer system, bank officials wanted to speed the process. They discovered, however, that while they occasionally were catching—and paying for—mistakes such as incorrect change, their program also was prompting customers to come into the bank to correct names, addresses, and account status.

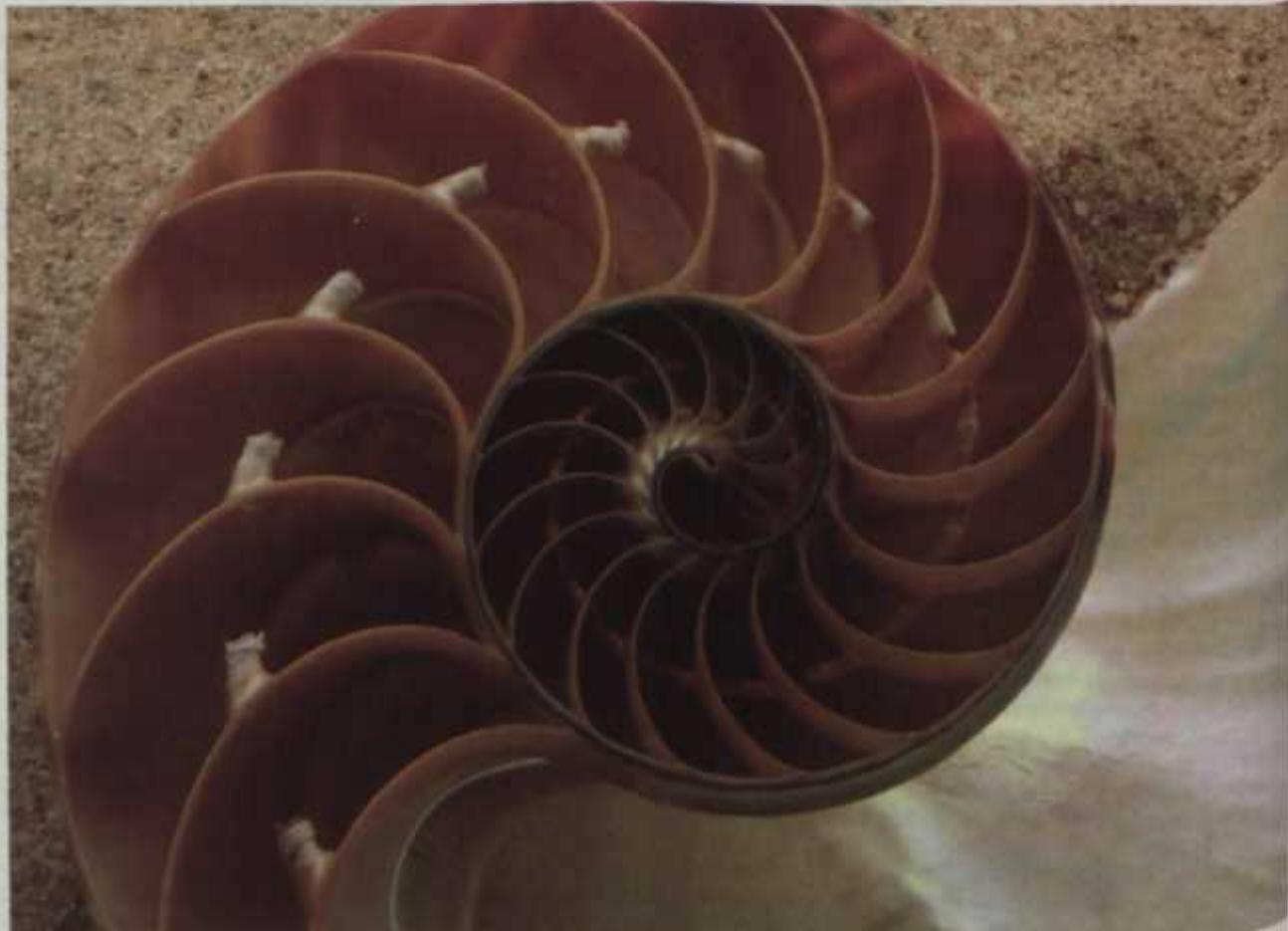
"It was worth \$5 to us to make the correction," says Kym Zwonitzer, vice president of marketing and research for Key Bancshares of Wyoming, the bank's parent company. "It may be small, but \$5 brought the customer out; it's worthwhile to have them come in, tell you about a mistake, and have face-to-face contact to alleviate a problem. If you solve a problem, it sometimes has a more positive effect on customer loyalty and retention than if you never made the mistake at all."

Some guarantees are designed to persuade customers to use new technology. For example, many bank patrons have been reluctant to make deposits through automated teller machines. To overcome such unwillingness, Wells Fargo offered \$10 to anyone whose deposit was not credited correctly.

But in spite of their potential pluses,

When a service company wants to distinguish itself from its competitor, it typically finds few if any options other than offering a service guarantee.

tomer taking advantage of the offer. For example, First Wyoming Bank—now Key Bank of Wyoming—offered a "no-goof guarantee" in 1985, a short-term program that gave \$5 to any customer catching the bank in a mistake. The motivation for the program was a new computer system. Having corrected the glitches that typically accompa-



service guarantees are not suited for every company. Some firms that pride themselves on service may find a guarantee ineffective. Nordstrom department stores and Four Seasons hotels, for example, have implicit guarantees that they will do anything to make a customer happy. That reputation for making it right, built up over years, is easier to maintain than a guarantee designed to cover every possible event that could go wrong. By sticking to the philosophy that the customer is always right, both companies have reaped the benefits of an unconditional guarantee without putting a formal guarantee policy into place.

Averitt Express Inc., a trucking firm based in Cookeville, Tenn., is another company with a service reputation that operates like an implicit guarantee. When the company looked into instituting a money-back guarantee, it found customers wary of the idea. "We told customers what we were planning, and they said, 'I thought you were doing this all along,'" says Richard D. Godsey, Averitt's executive vice president of quality. "They thought the guarantee would be

some sort of flimflam—that they would have to pay more for service they were already getting, and for a guarantee that they had, just not in writing." Godsey says he thinks "most companies would find customers who like the guarantee because it's added value or

"A service guarantee can be a turbocharger to force change and quality improvement, making a good company much better."

—CHRISTOPHER W.L. HART

protection. But I'd advise checking with customers first; if you're already committed to outstanding customer service, a guarantee could give out the wrong impression."

Conversely, executives at Speedy Muffler King prided themselves on service and had an implicit we'll-do-anything attitude, and they decided to capi-

talize on that commitment with their 110-percent guarantee.

The company's basic guarantee is a warranty on mufflers, "but if you're not satisfied because of something we've done—like misquoted a price—we'll refund your money and give you 10 percent more for your trouble," says Fred Karp, president of Speedy Muffler King/Car-X. "Making the guarantee was not a giant leap for us, since we've been pressing for customer service since this company opened in 1956," says Karp. "Instead, it is a way of telling customers they will leave here satisfied. The guarantee puts a message across, a very positive message that tells consumers that we're the kind of people they want to do business with."

Says Harvard's professor Hart: "Bold strokes—like refunding money—are rich in symbolism and drive your message home. What you pay on the guarantee is a marketing expense; it shows customers that you hold them in such high esteem that you'll treat them the way they want to be treated.

"Assuming that you have planned out your guarantee and can deliver on it, you won't be giving away the store, just enhancing its image." ■

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To Your Health

Managing well includes managing your own health—advice to help you do that better.

By Kay Schaefer

Sweet Dreams

My office manager had resigned for a bigger salary at another company. Our computer had been down for two weeks. Our customer-complaint list was growing daily.

For two weeks, I had been awakened in the middle of the night by thoughts of items I should add to my next day's agenda. My problem-solving and decision-making abilities were deteriorating. To get a satisfying night's sleep, I began using the relaxation routine that I teach my patients who have trouble sleeping because of physical pain.

The first step is to quiet the mind. If you are experiencing a business crisis or overwork, your mind may have difficulty shutting down at night. Begin by outlining the day's events on paper. Put stars next to the problems and underline the successes. Cross out the problems that were solved and circle those that are ongoing. List the ongoing problems on a separate sheet, in the order of their importance, and identify one to three actions you plan to take to solve them. Schedule those actions for the days or weeks ahead. By taking this first step, you can organize your thoughts and put them away, rather than bring them into your dreams.

If your muscles are cramped from an intense day of desk work or travel—possibly combined with stress—do these gentle stretching exercises while sitting in a comfortable chair:

1. Shoulder shrug: Move your shoulders in circles, backwards and forwards. Repeat five times.

2. Neck-rotation stretch: Look over your right shoulder. Breathe slowly in and out. Reverse to the left. Repeat five times.

3. Neck side stretch: Place your left hand in the small of your back and your right hand on top of your head. Gently bend your head to the right. Breathe slowly in and out. Reverse to the left. Repeat five times.

4. Shoulder stretch: Clasp your fingers overhead. Turn your palms up. Stretch your elbows straight. Breathe slowly in and out. Repeat five times.

Kay Schaefer, P.T., M.P.A., is a Washington, D.C., physical therapist.



PHOTO: © PETER GARFIELD—THE STOCK MARKET

The cure for tossing and turning may be a little stretching and flexing, before you turn out the light.

Continue the relaxation routine while you lie in bed:

1. Pelvic tilt: With your knees bent, flatten your lower back against the bed by rocking your pelvis. Repeat five times.

2. Knee rock: With your knees bent, rock them to the right and left. Repeat five times.

3. Knee hug: Bring both knees up to your chest. Hug with your forearms. Breathe in and out slowly five times, allowing your lower back and hips to stretch. Repeat once.

4. Body stretch: Arms overhead, legs extended, reach up with your arms and stretch toward the foot of the bed with your feet. Breathe in and out. Relax the stretch. Repeat once.

Follow your stretching exercises with total-body relaxation exercises, which enhance your awareness of muscle tension and allow the muscles to relax. These exercises involve system-

atically contracting and relaxing each body part, starting with the toes and ending with the head. The muscle contractions should be isometric; that is, you should tense your muscles as much as possible, without moving any joints. Remember to breathe—do not hold your breath—during all muscle contractions, to allow maximal relaxation and to avoid strain on the heart. Hold each contraction for five seconds.

As you tighten each muscle, focus your attention on the strength of the muscle and the slight discomfort associated with the force you are exerting. As you relax the muscle for five seconds before beginning the next exercise, focus on the sensation of "letting go" and the comfort of a relaxed muscle. Don't let your mind wander from the sensation of the exercises.

1. Toe curls: Curl your toes down and hold.

2. Ankle flex: Flex your ankles, bringing your toes toward your head.

3. Knee push: Push your knees down toward the bed, tightening your thigh muscles.

4. Hip tightener: Push your heels into the bed, contracting your hip muscles.

5. Belly tightener: Contract your stomach muscles, pulling your navel in toward your spine. (Remember: Don't hold your breath.)

6. Fist squeeze: Make a tight fist.

7. Shoulder tightener: Squeeze your shoulder blades together while pushing your fists into the bed.

8. Neck and head tightener: Push the back of your head into the pillow.

If you are not already asleep, the final step of this relaxation workout is to regulate your breathing.

The sleeping person breathes with the diaphragm rather than the chest muscles. Place one hand on your chest and the other just below your ribs. As you breathe, keep your chest still, but allow your abdomen to rise and fall. This is "diaphragmatic breathing." Continue this relaxed breathing for five minutes, and allow yourself to fall asleep gently.

Following this relaxation routine for three nights paid off for me. My sleep became deep and refreshing, and this allowed me to be more effective, productive, and focused during the day. ■

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Paul N. Strassels

ACCOUNTING

Accountants: The Why And What For

You need an accountant. All businesses do. It doesn't matter if yours is a huge corporation or a mom-and-pop grocery. It is foolhardy to attempt to operate a business without retaining the services of a skilled financial professional who is well versed in your line of work. Therein lies your task: finding the right accountant at a price you can afford and are willing to pay.

Price is only one of the important considerations in choosing an accountant, however. For instance, although some accountants might gladly expand their practice to include you, at a very reasonable price, they may have little or no practical experience tending to the accounting needs of your kind of business.

Here's what to look for in an accountant:

- A confidant who will keep you on the straight and narrow. For example, if your business generates a lot of cash sales, you may be tempted to dip into the till—a temptation you must avoid. Your accountant should stress the importance of playing by the rules, even when doing so costs you money.

Trust is essential. You should be able to talk with your accountant on a confidential basis, revealing things about your business that you don't want anyone else to know. You must trust your accountant with all the financial details of your business, and you must have confidence that this information will go no further. Moreover, you must be willing to accept and follow the accountant's advice.

- A technician who will keep you in compliance with the dozens of federal, state, and local rules and regulations



PHOTO: © ED WHEELER—THE STOCK MARKET

Tactician and confidant are just two of the many qualities you should seek in choosing your firm's accountant.

that affect your business. It is simply too easy to overlook or misinterpret one or more legal requirements, which in turn can have disastrous results.

Your accountant must see to it that you file all the tax returns, forms, and reports required by the Internal Revenue Service and state and local governments—on time—and pay any taxes due.

You must not ignore Labor Department regulations on hiring, and you must stay abreast of the latest thinking on employee relations and discrimination on the basis of age, sex, and national origin. You must keep yourself straight with the rules on retirement and other employee benefits.

- A tactician who understands how you run your business and can help plan your business strategy. For example, an accountant who is familiar with your cash flow can accurately judge your estimated tax payments and can also advise on cash management.

- A bookkeeper. Most accountants do not perform bookkeeping services, instead letting others on their staff do them for you. That's a plus, because you don't want a high-priced accountant charging you for time spent keeping your books. But, once armed with well-organized and complete financial information from the operation of your business, your accountant can prepare

your taxes and financial statements accurately and relatively quickly, and also can provide you with the advice you need to operate profitably.

- A financial professional who is respected by your lenders, partners, and creditors. When you want to satisfy your partners that you are running the business properly, or you want to borrow to expand your business, you must rely on the reputation of your accountant. When the accountant provides financial statements that show you are doing well, that should be all you need.

- A tax planner and return preparer who is adept at keeping your taxes low and, at the same time, keeping the IRS off your back. That's not easy. Low taxes usually mean extensive tax planning and a fairly aggressive stance on various tax issues. Those aggressive positions are usually the very ones that interest the IRS. It takes a skilled accountant to walk that fine line.

That is quite a bit to expect from one person, and, frankly, you are unlikely to find an accountant who satisfies all those requirements. You should, however, measure the accountant you finally select against those standards.

Use the following checklist when you are interviewing prospective accountants. Yes, you should set up interviews. Otherwise, you won't be able to compare individuals and what they can do for you.

Experience. How long have they been practicing accountants? How much experience do they have in your field?

Credentials. Are they public accountants or certified public accountants? What professional organizations do they belong to?

Support. Are they solo practitioners, or are they members of a firm that can provide additional support? Do they offer bookkeeping services?

Fees. Don't be shy about asking what your bill will be for all the services you need. That way there will be no nasty surprises later on.



Paul N. Strassels, president of Money Matters Inc., Rapid City, S.D., is a tax-law specialist and financial adviser.

Reviews. How often do you need to meet? What additional services can the accountants provide if necessary?

References. Do they have other clients in comparable businesses? Ask for names, and take the time to see if those other clients are pleased with their accountants' services. If not, ask why.

In fact, ask your colleagues and others in your field whom they use for accounting services. Such recommendations may help you track down the best accountant who specializes in your kind of business. But don't use the same accountant as your chief competitor. That could lead to conflicts of interest.

TAXES

It's That Time Again

According to the IRS, it's going to take you lots of time to wade through your taxes this year. If you file the long Form 1040, itemizing your deductions on Schedule A and reporting your dividends, interest, and investment sales, then you will spend, on average, 19 hours preparing your form, learning about the law, and keeping the records needed to back up your claims. Sole proprietors will spend about twice as many hours. How's that for "tax simplification"?

Electronic Filing

We are only a month into the tax-filing season, and the IRS is already very happy with its program for electronic filing. It is available to almost every taxpayer who has a refund coming. That's three out of every four taxpayers. It works like this:

You visit a preparer who has registered with the IRS. Then, for a small fee charged by the preparer, your return will be transmitted electronically to the appropriate IRS service center. The IRS, in turn, will process the return and send your refund to you or your bank within two weeks or so.

In fact, you can get your refund wired to your bank within a matter of days if you'd like.

Don't worry about a computer foul-up. You and your preparer will have copies of your return. And the IRS wires your preparer within a day that your return has been received and accepted. That's all the assurance anyone needs.

Electronic filing will save the government time and money, to say nothing of storage facilities. It's good for taxpayers, too. There will be no more problems caused by IRS personnel making keyboarding mistakes, and returns can't be lost in the mail.



PHOTO: CHRIS MITCHELL—FOCUS INC.

Keep a log of business calls made on your car phone if you want to claim a deduction.

Calling All Cars

As if you didn't have enough records to keep, the IRS has a new requirement that will affect you if you have a business phone in your car.

Since tax revision, if you drive your car part of the time on business and part of the time for personal purposes, you are required to keep track of your business miles as distinct from personal miles when you claim the driving deduction.

The same rule applies if you use a home computer part of the time on business.

Detailed mileage logs and time sheets are critical if you intend to prove

to the IRS that more than half of the time you spend using the car or home computer is for business, which qualifies you for a much larger tax deduction.

Now the IRS has added your car telephone to its list of property for which you must keep records to prove the business percentage.

According to the IRS, a car phone is the same type of property as the car itself.

To separate business from personal use of your car phone, you should review your bills to find the number of business and personal calls, or the number of business minutes you spent on the phone.

Home, Sweeter Home

The \$125,000 exclusion that's available to those who are age 55 or older when they sell their personal residence and who have lived in the home for three of the five years prior to the sale is a juicy plum, indeed.

The law makes it quite clear that only

one \$125,000 exclusion is available per husband-wife team. But there is a loophole that can be exploited by a family. According to the IRS, when a parent and an adult child own the home together, each is allowed to exclude up to \$125,000 of the profit from the sale of the property, assuming they satisfy all the other requirements.

BENEFITS

Taxing Treatments

Workers receive four types of benefits, each with its own tax treatment:

- Tax-free benefits. For example, your firm may pay some or all of your health, dental, or disability insurance. Those premiums are tax-free.

- Tax-deferred benefits. Specifically, the amount your firm contributes, on your behalf, to your retirement account. Some companies fund all of your account. Others match, say, 25 cents on the dollar. Still other companies may

offer deferred-compensation plans.

- Cut-rate and discount benefits. These include deals on company products and services, as well as cut-rate prices that the firm negotiates. For example, retailers traditionally give employees 5 to 25 percent off.

- Fully taxed benefits. Your company may reward you with a well-deserved, all-expenses-paid vacation. While the price will show up on your W-2 as income, you pay only the tax on that amount, which is still a pretty good deal. ■

For Your Tax File

What you need to know to keep taxes from overtaxing you.

By Gerald W. Padwee, C.P.A.

PROPERTY EXCHANGES

The IRS Looks Again At "Like-Kind" Swaps

In recent years, Congress has enacted several laws intended to make it difficult for businesses to dispose of appreciated property without recognizing taxable income. One of the few remaining tax-free transactions available is the exchange of "like-kind" property. Under this form of transaction, which can involve a broad range of types of property, undeveloped land, for example, might be exchanged for land with a building on it.

In general, no gain or loss is recognized if property used in a trade or business is exchanged for like-kind property. Therefore, you can trade appreciated property to another taxpayer in exchange for like-kind property and neither of you has to recognize any gain. Recently, however, the Internal Revenue Service took a new look at these rules and reconsidered their application to exchanges of entire businesses.

For some years the IRS has known of exchanges in which taxpayers trade an entire business for a similar business in another location. A 1985 revenue ruling examined this issue regarding a trade of television stations. That ruling held that, in a swap of one TV station for

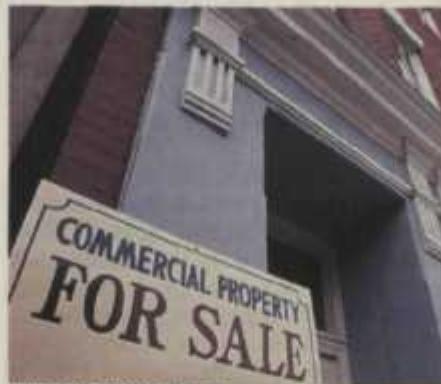


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Like-kind transactions allow you to trade undeveloped for developed land, but not necessarily one business for another.

another, no tax was due because the properties were like-kind. Now a new ruling has come out restricting the 1985 holding.

The 1989 ruling states that the swap of assets of one business for those of another business can no longer be considered as the exchange of one integrated property for another. Rather, in order to see if the trade qualifies, an examination of all of the underlying individual assets must be made. Therefore, even though two companies are in the same business, if one owns more or different real or personal property, the trade may not necessarily qualify for

tax-free treatment. It also is possible that the taxpayers may have to recognize more gain on the trade than if all the assets were looked at as a single exchange.

It is not known yet exactly how detailed the examination of the traded assets should be. For example, will taxpayers have to look at each asset individually, or can broad classes of assets be considered together?

There are no clear-cut answers to these questions at this time. The issue is under extensive study, the IRS says, and additional information will be forthcoming.

ACCOUNTING

Smallness Has Its Advantages

Last month we pointed out a few instances in which the Internal Revenue Code clearly favors small businesses by exempting them from some of the more onerous tax-law provisions. Here are a few other examples in which size may dictate the proper tax approach.

Property used in a business for over

a year is not immediately deductible, but its cost is recovered over some years through depreciation deductions. However, any taxpayer may elect to deduct immediately up to \$10,000 worth of equipment, even if it would normally be capitalized and depreciated.

This approach benefits a small business proportionately more than a large one. Even better, the election may be made as late as the time your return is filed, which generally is several months after the end of the year.

Also worth considering are the rules for the so-called S corporation. Although a very small, profitable business may actually pay lower taxes as a regular corporation than as an S corporation, if the company's taxable income reaches \$75,000, it will be taxed at the corporate rate of 34 percent.

Electing the status of an S corporation at this point—if the company has no more than 35 owners—can result in all income being taxed directly to the shareholders. Thus, income tax is calculated at the lower individual rate, and corporate income will not be taxed twice, once to the corporation when earned and again to the shareholder when paid out as dividends.

IRS district offices offer free copies of IRS Publication 334, *Tax Guide For Small Business*, and IRS Publication 1066, *Small Business Tax Workshop Workbook*. The workbook contains information on both tax and nontax aspects of a small business.

Remember, though, that IRS publications always give the gospel according to the IRS. For objective advice, consult a good tax adviser. ■



Gerald W. Padwee is associate national tax director for professional practice for Deloitte & Touche. Readers should see tax and legal advisers on specific cases.

Franchising

Advice for the entrepreneur who sees franchising as the best route to "being my own boss."

By Meg Whittemore

Seven out of every eight U.S. workers drive to their jobs, the Census Bureau says. And now those 99 million daily commuters are becoming a distinct and blossoming market for many savvy franchisors. Offering convenience and limited choices, drive-through franchises cater to customers on the go.

"We're after the commuter in a hurry who wants a cup of coffee and the morning paper without getting out of the car," says Ken Beck, chairman of Press Box News Drive-Thru Newsstands, based in Lancaster, Pa.

Taking the counter to the curb has worked for the 12 PBN franchises in northeast Philadelphia and in nearby Cherry Hill, N.J. More than 1.3 million time-pressed commuters have driven up to a PBN window since the first store opened in 1985 in Philadelphia. The

franchise's formula combines convenience with simplicity. A Press Box News outlet is just 100 square feet (enough room for one worker) and takes up one parking space in a shopping-center lot.

PBN co-founders Beck and Scott Biltz decided they would streamline the variety of merchandise sold at their outlets and offer only the basics, such as newspapers, coffee, snack items, cigarettes, soft drinks, magazines, film and photo finishing, and lottery tickets. All locations are open at 6 in the morning and handle as many as 70 cars an hour during the peak commuter times. The newspapers and magazines sold at each PBN location are selected according to customers' preferences. "We can go into an area and customize what newspapers and magazines the customer base will buy," says Biltz.

A PBN franchise costs \$50,000 to \$60,000, depending on the amount of site improvement needed. The price tag is all-inclusive, says Biltz. Franchisees must also pay a total of 5 percent of gross monthly sales in royalties and advertising fees. Says Biltz, "By keeping our overhead low, limiting our merchandise, and going to the customer, we are fairly sure we have a winner on our hands."

A return to basics seems to be the watchword among franchisors who target the customer on the go. Central Park, U.S.A., for example, has adopted strategies that proved successful years ago for fast-food franchisors: a limited menu, quick preparation, fast service, and product consistency. Central Park sells hamburgers, French fries, and soft drinks from free-standing structures that have drive-through windows on either side. The 12-foot-square kiosk is a two-story structure; food is prepared and sold on the ground floor, and supplies are stored upstairs. Central Park, based in Chattanooga, Tenn., costs \$150,000 to \$200,000, depending on whether the site is leased or purchased; the price is 25 to 50 percent of the cost of a big-name burger franchise.

"When you don't have time to wait"—that's the marketing phrase of Jim Burks, president and CEO of Pharmacy 1 Express, a drive-through phar-

macy franchise based in Indianapolis. Being able to obtain your filled prescription without leaving your car is behind Pharmacy 1's philosophy. "It just made sense to us," says Burks, "that when you're not feeling well, you don't want to get out of your car and wait in line to get your prescription filled."

The idea for Pharmacy 1 took shape in 1988, and co-founders Burks and Bob Allen opened the first outlet in Bloomington, Ind., in early 1989. Since then, another franchise has opened in Bloomington, and plans have been made to develop markets in Florida, Indianapolis, and Louisville, Ky., this year.

A limited product list—pharmaceuticals and selected over-the-counter drugs—keeps the overhead low, says Burks, "and helps promote the image of a specialized professional pharmacy." Each Pharmacy 1 is 600 square feet and offers customers the choice of either drive-through or walk-in service.

Individual lots close to medical offices and hospitals were purchased for the first two outlets. "We wanted our own identity," says Burks, "so we decided that a free-standing building close to the medical community would provide that."

The total start-up cost for Pharmacy 1 is \$139,000, which includes the franchise fee, inventory, \$30,000 of working capital, computer, office equipment and furniture, signs, and storage bins. Hours of operation are set and cannot be changed: 10 a.m. to 6 p.m. Monday through Friday, 10 a.m. to 2 p.m. on Saturday, no emergency hours. A contract with the largest national drug distributor ensures competitive pricing on all prescriptions, Burks says, and so far, the strategy is working. "Our first stores have been remarkably successful," says Burks, "and we have found that people really do shop for convenience." Seventy-three percent of customers surveyed by Burks and Allen said they consider convenience of location most important when choosing a drug store.

Thanks to those franchisors in step with today's time-strapped consumers, convenience can now get both without leaving the front seat of their cars. ■

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By Ed Hirsch, Special Feature Writer

JOLIET, IL—You may have read about Nancy Freeman in leading business publications or seen her on network TV. A highly-successful real estate broker, Freeman owned some apartments in her hometown of Joliet, Ill. About 8 years ago, she heard about Property Valuation Consultants, a company that lowered real estate taxes. PVC did the job and saved her thousands of dollars for which it received a percentage of the savings.

Several years later, she was approached by PVC to offer their services to her property-owning clients. Representing the company one morning each week, she netted better than \$60,000 in just 90 days! Freeman soon bought PVC, and the 15-year old company is now embarking on a major program setting up PVC affiliates in all 50 states.

One of the best kept secrets is that property owners can actually appeal their real estate assessments. Nationally, fewer than 2% of all assessments are ever challenged. But a recent study of 10 major cities shows that 4 out of 5 assessments were reduced on appeal. "Most people don't even know how to attempt it," says Freeman, "and we handle everything for them in a win-win situation."

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than the rule, the market for PVC is wide open." Using a copyrighted system, PVC represents the property owner on a contingency basis, receiving from $\frac{1}{2}$ to $\frac{1}{3}$ of the savings. Most clients renew yearly, which is how an incredible residual income can be built up.

PVC affiliates pay a \$9,900 start-up fee which includes comprehensive training, manuals, materials, forms and just about everything else needed to get started. Ongoing consulting is also included; PVC and its staff work closely with each affiliate walking them through the various steps involved in working with clients.

"This business can be run out of a small office or even a home," says Freeman. "All you need is a phone. We show our trainees how to attract as many qualified clients as they can handle," she adds. "Just 50 clients per year can net over \$100,000, and we serve more than 1,500 clients in any given year here in Joliet, a city of only 73,000 people."

PVC has hired motion picture and television actor Eddie Albert as its national spokesman and has offered to send complete details and a free videotape to interested parties. Call or write Rick Neiswanger, PVC Marketing Systems, 12033 Gailcrest, St. Louis, MO 63131, 1-800-782-1050

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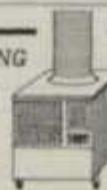
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Direct Line

In which experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore and Bradford A. McKee

FAST FOOD

On Golden Arches

We want to purchase a McDonald's franchise. How do we go about obtaining and financing such a franchise?
V.P.N., Heart Butte, Mont.

To buy and open a new McDonald's franchise costs about \$575,000, and 40 percent must be generated from personal funds. Contact the Licensing Department at McDonald's Corp., 1 McDonald's Plaza, Oak Brook, Ill. 60521; (312) 575-3000.

For information on financing, write or call the International Franchise Association, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005; (202) 628-8000.

SERVICES

Water And Ice

I want to start a bottled-water and bagged-ice company. I am not sure where to start. Where can I obtain information on this subject?
T.G., Limon, Colo.

According to the International Bottled Water Association, it costs about \$1 million to start your own bottling plant. It is far less costly to become a distributor.

The association offers a \$275 kit of



information on opening a bottling plant or a distributorship. You can contact the association at 113 N. Henry St., Alexandria, Va. 22314; (703) 683-5213.

For help with starting a packaged-ice business, contact the Packaged Ice Association, 111 East Wacker Drive, Suite 600, Chicago, Ill. 60601; (312) 644-6610.

HORTICULTURE

Growing Enterprise

I am interested in opening a plant and shrub nursery. I would appreciate any information you can offer on the subject.
D.H., Milford, Pa.



The American Association of Nurserymen can give you some basic information and a free catalog of publications to help you get started. The association also offers a free catalog of publications and information on capital requirements, staffing, management matters, and zoning laws.

Write or call the American Association of Nurserymen at 1250 Eye Street, N.W., Suite 500, Washington, D.C. 20005; (202) 789-2900.

Regulations for starting a nursery vary from state to state. You should contact the Pennsylvania State Department of Agriculture at (717) 787-4737 to obtain a full description of your state's regulations.

PRINTING

It's On The Bag

I am interested in starting a small business for printing plastic bags. I would like to know how to obtain a list of companies in the U.S. that handle used equipment for this.
M.M., Weslaco, Texas

Brent Dixon, executive vice president of the Plastic Bag Association, says he would be glad to give you the names of several equipment manufacturers. You can reach him at the association, 2 Overhill Road, Scarsdale, N.Y. 10583; (914) 723-7610.

LODGING

Bed & Breakfast

I want to buy an old home and convert it into a bed-and-breakfast inn. How can I find out more about B&Bs?
D.K., Holmes, Pa.

Start by writing or calling the American Bed and Breakfast Association, 16 Village Green, Suite 203, Crofton, Md. 21114; (301) 261-0180. The ABBA publishes four regional guides that describe bed-and-breakfasts that are members of the association. The guides also contain general information about the business. In addition, some states' tourist offices have bureaus that specialize in information on B&Bs.

REAL ESTATE

An Appraisal

I am interested in becoming a real-estate appraiser. Are there any books that can help me get started in the right direction?
D.N.W., Lockport, Ill.

According to the American Institute of Real Estate Appraisers, you must follow a structured program to become a licensed appraiser.

The institute offers training courses through chapters in Illinois, and these courses will enable you to obtain your license.

The institute also has a free list of the titles and prices of current text-



books on real-estate appraisal.

For more information in your area, call Chapter 6 of the institute, at (312) 726-6888; or write to the chapter at 430 N. Michigan Ave., Chicago, Ill. 60611.

PUBLISHING**Funnies Business**

Please tell me how to obtain information on starting a comic-book store and dealing with distributors.

K.J.O., Evansville, Ind.



For guidance on starting a business, contact the U.S. Small Business Administration at 575 N. Pennsylvania St., Room 578, Indianapolis, Ind. 46204; (317) 269-7272.

Comic-book stores generally deal with distributors, not with publishers or manufacturers, says Bill Neuhaus, account representative with Diamond Comic Distributors. You can write or call Neuhaus at 1718-G Belmont Ave., Baltimore, Md. 21207; (301) 298-2981.

CARE GIVING**For The Children**

I would like to open my own day-care center. Where can I get some information on the necessary licenses and day-to-day operations of such a business?

T.G., Oakland, Calif.

For information on starting a day-care center, contact the Women's Bureau of the U.S. Department of Labor, 1-800-827-5385, weekdays from 11 a.m. to 4 p.m. EST. The Women's Bureau will send you a free resource kit containing guidelines on opening and managing a center as well as information on how to obtain the necessary state licenses. The office also can help you find the appropriate officials in your area involved in the licensing process.

For The Elderly

I own and operate a company that provides 24-hour companion/respite care to older adults in their homes. Are there other private companies in the country that offer personal-care services like mine? I would like a list of similar businesses, if possible.

L.S.K., New Bern, N.C.

Marion Brown with the National Home-

Caring Council suggests you begin by calling the Visiting Homemaker Service of Passaic County in Paterson, N.J.; (201) 523-1224. She says this agency offers services similar to yours and might provide useful suggestions on other agencies or businesses that you could call. The HomeCaring Council also can give you names and phone numbers of other home-health-care professionals whom you could contact to obtain further information. Write or call the council at 519 C Street, N.E., Washington, D.C. 20002; (202) 547-6586.

AQUACULTURE**Fish Farms**

How do I get into the fish-farming business? What are the success and failure rates of such businesses?

B.W., Lexington, Ky.

If you are new to the fish-farming field, start by contacting the U.S. Fish and Wildlife Service's Fisheries Department in Washington, D.C.; (202) 358-1715. Experts there can help you understand the fish-culturing process.

Next, Bill Teels at the Soil Conservation Service of the U.S. Department of Agriculture can supply you with infor-



mation on regulations governing the industry as well as tips for getting started. Teels can be reached at (202) 447-5991.

Finally, Kentucky State University offers a variety of information on fish farming through the school's Aquaculture Research Center. You can contact Dr. James H. Tidwell at the center, Kentucky State University, Frankfort, Ky. 40601; (502) 227-6581.

AGRICULTURE**Farm And Feed**

I am interested in starting a farm and feed supply business in a rural community. I need information on how to contact feed distributors. Also, are there any agencies I could contact for help?

L.L.H., Houston



The *North American Grain Directory Buyer's Guide* lists grain-storage facilities throughout the country.

The directory costs \$50 and is available from Susland Publishing Co., P.O. Box 29155, Shawnee Mission, Kan. 66201.

Also, anyone thinking of starting a particular type of business should talk with company owners in that field about their experiences, the Small Business Administration generally advises.

For information on farm supplies and equipment, *Farm and Power Equipment Dealer Magazine*, published by Admore Publishing, in St. Louis, could be helpful. The publication lists manufacturers by address and product. To order a copy, call Bernie Backer at 1-800-451-0914.

ANIMALS**Proper Breeding**

Please give me information on starting a dog-breeding kennel.

W.R., Garden City, N.Y.

Alan Stern, vice president for communications at the American Kennel Club, says that "with 13 million overbred, unwanted dogs being put to sleep every year in the U.S.," deciding whether to open a kennel requires serious deliberation. He recommends that a kennel operator be recognized by the club: "Without AKC registration, it's a pet, not a purebred."

Contact the AKC at 51 Madison Ave., New York, N.Y. 10010, or call its information number in North Carolina: (919) 493-7396.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20002. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have compiled the most-asked questions into the compact "Your Small Business Survival Guide," at \$3 a copy. To order, write to the Circulation Department at the address above. ■

Where I Stand

Readers' responses to this poll give them a direct voice in the policy-making process of the U.S. Chamber of Commerce.

1. Use Tax Revenues For Elderly's Health Care?

This year Congress is confronted again by a question lawmakers thought they had answered once and for all in 1988: How should America protect its elderly against catastrophic medical-care bills? Congress' answer two years ago was an insurance program funded by an income-based surtax on those eligible for Medicare. But last year lawmakers re-

pealed the program in response to criticism from the middle- and high-earning elderly who would have shouldered the brunt of the funding burden. Some believe Congress' new answer will be paying for a catastrophic-insurance program from the federal treasury. Would you support allocating general tax revenues to health care for the elderly?

2. Expand Economic Ties With The Soviet Union?

President Bush wants to expand U.S. economic relations with the Soviet Union to bolster the political and economic reforms of Soviet President Mikhail Gorbachev. Bush favors granting the Soviets such things as most-favored-nation tariff status, a comprehensive bilateral trade agreement, observer status at the General Agreement on

Tariffs and Trade, and technical assistance for managers and entrepreneurs. However, some in the U.S. fear Gorbachev's reform efforts could collapse and Communist hard-liners could resume power. Should the U.S. expand its trade and economic ties to the Soviet Union at this time?

3. Should Fee, Mortality Information Be Available?

Doctors and hospitals are not required to disclose information such as fee schedules, treatment results, or mortality rates that could be used by consumers to select health-care providers. Some observers contend the unavailability of such information deters health-care competition and, therefore, leads to higher prices. Others say mor-

tality rates and the like can be misleading and can result in unwarranted conclusions about some providers. Should information such as fee schedules, treatment outcomes, and mortality rates be collected and disclosed to health-care consumers?

Verdicts On December Poll

| | <i>Here is how readers responded to the questions in the December issue.</i> | | |
|--|--|-----|-----------|
| | Yes | No | Undecided |
| Should Congress require businesses to provide health-insurance benefits? | 19% | 80% | 1% |
| Should the U.S. adopt Canadian-style national health insurance? | 19% | 65% | 16% |
| Is America's health-care system damaged irreparably? | 34% | 42% | 24% |



Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

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COMMENTARY

Congressional Alert

Product-Liability Reform

Proposals introduced in Congress last summer to promote fairness and uniformity in product-liability law are stalled at the committee level. Neither the Senate Commerce, Science, and



PHOTO: © GENE PALMER—THE STOCK MARKET

Transportation Committee nor the House's Judiciary Committee or Energy and Commerce Committee held hearings on the product-liability bills—S. 1400 and H.R. 2700. The legislation would establish a uniform federal liability standard for manufacturers, define and limit the ways in which a product could be found defective, and set forth fair rules on how and when manufacturers may be held liable.

This lack of congressional activity has occurred despite the deep concern of thousands of citizens regarding the real costs of the current product-liability crisis: increased prices, canceled products, abandoned research and development, lost jobs, and the threat that the U.S. will lose its competitive edge in the world market.

The U.S. Chamber of Commerce believes that through concerned citizens' letters, telephone calls, and personal visits, Congress can be persuaded to schedule hearings on these important bills.

Contact your representative and senators to urge support for a uniform, federal product-liability law.

Debate On Taxing Capital Gains

The debate over whether to reduce the tax rate on capital gains is expected to heat up again in Congress. A restoration of the capital-gains differential is a major priority for President Bush and a



PHOTO: © PETER MADAN—THE STOCK MARKET

bipartisan group of representatives and senators.

Pending before the Senate is a House-passed measure that would reduce the capital-gains tax rate for individuals from the current maximum of 33 percent to 19.6 percent through 1991 and then would index the basis of capital assets for inflation. Other proposals in the Senate would establish a sliding-scale rate reduction for individuals and corporations based on the length of time the capital assets are held.

The U.S. Chamber of Commerce supports a rate reduction in the capital-gains tax, a move that would provide a major incentive for investment in small-business ventures, in turn fostering development of innovative products, creating jobs, and helping ensure a competitive American economy. A reduction in the capital-gains tax rate also would raise revenue for the federal government because more people would be encouraged to sell capital assets.

Contact your representative and senators. Urge them to support a lower tax rate on capital gains.

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

Pension Plans At Risk

Congress is expected to consider measures that would ban or severely restrict an employer's ability to recover excess assets from a terminated pension plan—a practice known as pension



PHOTO: © HENRY A. SAVAGE—THE STOCK MARKET

reversion. In addition, legislation has been introduced to require single-employer pension plans to be administered by a board of trustees with equal representation by management and unions or employees.

Current law recognizes that an employer may be forced to terminate a pension plan in order to enhance other employee benefits or to respond to periods of financial stress. In return for sponsoring a pension trust and bearing the full investment risk, employers have been allowed to appoint the plan's trustees and to recover excess assets—those remaining in the plan after all promised benefits have been paid.

A measure restricting management's authority over pension plans would have a chilling effect on employers' willingness to establish or maintain such plans.

Contact your representative and senators. Urge support for the current pension-plan system and opposition to legislation that would restrict or ban pension reversions and mandate joint labor-management control of pension plans. ■

COMMENTARY

Editorials

Energy policy should be based on free-market forces and a balance between energy and environmental needs.

Common Grounds For Beginning The Debate On Energy Policy

Our cover story this month on the current energy situation in the U.S. spotlights the enormous complexity of the manner in which we produce, sell, buy, and use basic resources. There are obvious degrees of difference, similarity, and competition among the various categories.

Those factors are very much under consideration as the nation embarks on the formidable task of drafting new energy policies that will take us into the 21st century. At President Bush's direction, the U.S. Department of Energy is overseeing the development of those policies, but the private sector is making major contributions.

Energy industries are, of course, making their views known on what policies the country should adopt to ensure the availability and affordability of the energy vital to the economy. Industry leaders representing coal, oil, gas, nuclear power, hydro power, and other energy resources are making specific proposals on what should be done in terms of exploration, development, construction, production, and other aspects of energy supply. Other participants in the discussion are environmental groups, many of them arguing against the proposals the industry representatives are making.

There are, understandably, economic conflicts among some of the various industry groups. And the environ-

mental organizations are by no means united on the extent to which energy production should be restricted to achieve their goals.

Such differences are to be expected in any public-policy discussion, particularly one on a subject as far-reaching as energy. It is in such conflicts that each side tests the validity of its own positions.

At the same time, the emerging debate over energy policy should be grounded on the validity of two fundamental premises:

(1) Free-market forces, not government edicts, should be the principal arbiter of choices among competing energy sources. Recent experience has shown that government mandates on control of production and pricing of energy lead to reductions of supplies, not to increases.

(2) The policy-making process should not be viewed as a forum for establishing the supremacy of energy needs or environmental considerations over the

other, but as a forum for developing strategies necessary to achieve a balanced approach that serves each of those areas.

All parties in the current project to achieve such a policy should begin with the recognition that no viable energy policy can be drafted without recognition of those two considerations.

Recent experience has shown that government mandates on control of production and pricing of energy lead to reductions of supplies, not to increases.

"The Fed Cannot Push On A String"

As we forecast in our January cover story on the small-business outlook for 1990, economic growth is slowing. Recent figures show factory employment down by nearly 200,000 jobs. Manufacturing productivity is falling. Motor vehicles and housing, two key industries, are sending disturbing signals.

Even more disturbing is the fact that much of this damage is self-inflicted. It is the result of the Federal Reserve Board's misguided policy of keeping interest rates up to dampen inflation. But the inflation enemy has long since departed, and the current target of the board's interest-rate strategy is the economy itself.

Lawrence A. Hunter, deputy chief economist for the U.S. Chamber of Commerce, points out that, as the economy slows, manufacturing productivity falls, unit labor costs go up, and inflationary pressures intensify. That

outcome, he says, "is the exact opposite of the intended Fed policy."

The basic flaw in the board's approach, Hunter says, is its assumption that the declining business activity caused by high interest rates will lessen inflationary pressures, allowing lower interest rates that will encourage businesses and consumers to borrow more.

"The problem is that the Fed cannot push on a string or turn the economy on a dime," the Chamber economist says. "The Fed cannot make lenders loan money when the economy is slipping and the ability of borrowers to repay is in doubt."

The Federal Reserve Board will not be able to deal effectively with slow growth if it does not recognize that its high-interest policy has failed and the economy is much worse off because of that failure. ■

Free-Spirited Enterprise

Fresh thinking from the frontiers of American commerce.

By Janet Lowenstein

THE WAY WE WEAR

Closet Computing

If you want to look your professional best, Image Dynamics of Leawood, Kan., can help. Just fill out a ques-



ILLUSTRATION: WINGSOON LEE

tionnaire—on body type for men, coloring for women—and Image Dynamics will have its computer analyze your responses.

The company will provide men with a personalized booklet describing the best styles, fabrics, colors, and patterns for their physique; professional do's and don'ts; advice on matching; and a guide to accessories. Women will get a detailed color analysis. It costs \$45 for men, \$17.50 for women—not because men need more help than women, but because they get a more detailed analysis.

All That Glitters . . .

Like to see how the jewelry



in the showcase would go with the dress back home in

the closet? Then just walk out of the store with it—a cardboard replica, that is.

The Trifari jewelry company offers customers punch-out cardboard replicas of earrings, necklaces, bracelets, and pins to take home to see how they would look with various outfits.

These "Tryons," the creation of Borejko Leibler Advertising of New York, could do for jewelry what perfume testers do for perfume—sell the real thing. Of course, a customer might decide to wear the cardboard. But it wouldn't take a jeweler to know for sure.

ATTENTION!

Sticking Power

To attract businesses to your booth at the next trade



show, try magnets.

Kits from Magnetcards,

COMING FEATURES IN NATION'S BUSINESS

Personnel

Gray Matters

Family Business

Agents For Change

Workers' Compensation

Out Of Control

of Fern Park, Fla., will turn business cards into magnets for about 75 cents apiece. All you need is a pair of scissors. Or the company will produce the magnets for you at \$1 or less per card. No minimum order is needed, and discounts are available for orders of a dozen or more.

SPACE TECHNOLOGY

Reserved Parking

Has someone been parking in your space?



Carella Motoring Accessories of Denver says its Park Guard 1000 will keep your parking place reserved for you.

If an unauthorized vehicle comes within 5 feet of your parking space, Park Guard will sound an ear-piercing siren followed by the message, "Warning. Move your

Good help isn't always hard to find. Read about businesses that are hiring retired executives.

End hunger? Help teenagers? Frequently, social action is a family-firm matter.

Several states are scrambling to rescue employers from costly workers'-comp systems that are near collapse.

car or it will be towed."

Park Guard is made of steel and usually is mounted on a wall. The owner presses a button on a hand-held transmitter to activate the system. It operates on eight D-cell batteries and sells for about \$189. Batteries not included, but a personalized name plate and a lettering kit are.

GAMES PEOPLE PLAY

Buy Low, Sell High

"Labor unrest is rocking American industry. Inflation is rampant, and the government freezes all salary increases."

Bad news? Maybe not—if you're playing Maxi Bourse, The Ultimate Game of International Finance, distributed by TSR Inc., of Lake Geneva, Wis.

In this stock-market board game, players compete against each other by buying and selling stock in the 40 multinational corporations on its "Big Board."

If you're not sure when to buy or sell—and who is?—you might get some help from the rule book. It includes a history of Wall Street, a stock-market glossary,



descriptions of the corporations featured in the games—such as Nestlé, Zenith, and Canon. Also included are some insider tips—for those kinds of players.

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THE LUDICROUS TIMES

BEST VALUES ON HOME OFFICE EQUIPMENT FOUND AT “OFFICE SUPERSTORES”

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Don't Believe Everything You Read!

Sometimes you just have to laugh. Especially when it comes to ludicrous headlines like the one above.

You see, today's large "superstores" simply cannot provide the best overall value for your home office. In fact, many don't offer even the most basic customer service and support.

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